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Relations with neighbouring territories

Hongkong has had a difficult year in maintaining relations with China owing to the disruption caused by the civil war. The policy of His Majesty's Government in the United Kingdom, which has governed Hongkong's attitude, has been one of continuing neutrality in the Chinese Civil War and in pursuance of this Hongkong has sought to maintain impartiality and friendliness in its dealings with China as a whole.

During the year the Chinese Communist armies advanced from the Yangtze down to Canton. Nanking itself fell on April 23rd and the Nationalist capital was transferred to Canton. On October 1st the establishment of the Central People's Government of the People's Republic of China in Peking was announced by Mao Tze-Tung. At the same time Chou En-Lai, Minister of Foreign Affairs of the new Government, officially informed foreign governments that the Peking Government was willing to establish diplomatic relations with any foreign government which was willing to observe the principles of equality, mutual benefit and mutual respect of territorial integrity and sovereignty. A number of foreign governments led by the Soviet Union and followed by countries of eastern Europe speedily recognised the Peking Government (British recognition was announced in January 1950). Only Hainan, Formosa and a few islands off the coast of Fukien remained under Nationalist control. Canton itself fell on October 15th and the Nationalist Government transferred itself to Chungking. On October 16th irregular Communist forces appeared at Shataukok on the Hongkong/China border, and a few days later they had taken over control of the whole of the Chinese side of the frontier. There were no incidents, and relations between the British and Chinese authorities on the frontier have been formal and correct.

The civil war reaching Hongkong's own frontier has naturally had disturbing effects, although the Colony has managed to remain a relative oasis of peace and prosperity in the Far East. The main effect has been to bring to the Colony a vast number of Chinese seeking refuge from war and disturbance. A time of change is a time of potential danger and, as an insurance against such danger, His Majesty's

Government in the United Kingdom decided early in the year to augment the reduced garrison of the Colony considerably. On July 2nd Lt. General F. W. Festing arrived to assume the post of General Officer Commanding-in-Chief. On his departure owing to illness he was succeeded on October 20th by Lt. General Sir E. C. Robert Mansergh.

The influx of Chinese into Hongkong, which still continues, is a matter of some concern as it has caused serious over-crowding. Large squatter settlements have mushroomed all over the Colony. The flimsy and insanitary structures in which they dwell constitute a serious menace to health and a grave risk of fire. Several squatter colonies were in fact destroyed by fire during the year. At the time of the fall of Shanghai in May and later in October when the Communist capture of Canton was imminent the number of Chinese flocking into the Colony reached at times over 10,000 in one week. These have been absorbed, but with increasing difficulty. It is doubtful whether many more can be received without imposing an intolerable strain on the Colony's water supply and accommodation facilities.

The civil war has also dislocated normal trade and communications between Hongkong and China. At the end of May the Nationalists began a blockade (described as a "closure of ports") which effectively closed Shanghai to shipping, except for a small number of blockade runners which have broken through. This had its effect on commercial relations between Hongkong and Central China, although later in the year cargoes destined for Shanghai began to find their way through via Tientsin and other northern ports to which shipping has again become normal. After the fall of Canton through railway services on the Kowloon/Canton railway were suspended. They have not yet been resumed, despite the readiness of the authorities of the British Section to agree to through services to Canton.

As an inevitable concomitant of civil war, numbers of political refugees have sought and been accorded refuge in Hongkong. Whereas previously many of these were persons out of sympathy with the Kuomintang Nationalist Government, present political refugees in Hongkong now comprise mainly Kuomintang personages. With

the population of Hongkong consisting as it does predominantly of persons of Chinese origin it is inevitable that some of their political quarrels have been fought out again in the Colony. The policy of the Hongkong Government has been to keep Hongkong free of external political faction. Certain action has therefore been taken against those elements which have sought to make the Colony an arena for propagating their own political ideas. This has at times brought criticism, especially from the new government in Peking, which has objected to what it has chosen to describe as persecution and denial of democratic rights to Chinese in Hongkong. It is nevertheless true that the cherished democratic freedoms which pertain to the British system of Government have been jealously guarded by the Hongkong authorities. The only limitations on them have been those imposed through necessity of maintaining public order and preserving the security of the Colony. It has also been necessary to take measures to prevent interference with the educational system in the Colony in order to ensure that education remains what it should be, namely, training in good citizenship rather than indoctrination with one particular set of ideas. The activities of Chinese political dissidents have fortunately resulted in only one act of murder. General Yang Chieh, a Chinese official who had served as Chinese Ambassador in Moscow, and had later fallen out of sympathy with the Kuomintang regime was shot, presumably for political reasons. On account of the above activities, and their possibly dangerous effect on law and order in the Colony, an Ordinance was passed in May entitled the Societies Ordinance, declaring illegal all societies or organisations which had affiliations with political parties outside the Colony.

A further cause of difficulty and embarrassment to the Hongkong Government arising out of the Chinese civil war had been the disposition of Chinese State-owned assets located in the Colony, which are now claimed by both the Nationalist and the Central People's Government. The case which has attracted most attention has been that of the Chinese airlines, the China National Aviation Corporation and the Central Air Transport Corporation. On the 9th November eleven aircraft belonging to these two companies defected and flew from Kai Tak airfield into Communist China, carrying the Managing Directors of both companies. At the same time the majority of the staff of the two companies in Hong-

kong also declared themselves in favour of the Peking regime. The Nationalist authorities have since tried to establish their claim to obtain physical possession of the some 70 aircraft belonging to the two companies still remaining in the Colony. A further complication was added by the claim of two American citizens, Major-General Claire Chennault and Mr. Whiting Willauer to have purchased on December 12th the aircraft and assets of the two companies from the Chinese Nationalist Government. The case at the end of 1949 was still before the Courts, with Messrs. Chennault and Willauer on the one hand seeking to obtain possession of the aircraft and assets, and the Peking Government on the other strongly asserting its claim to the same property. In this dispute the attitude of the Hongkong Government remained one of non-interference with matter which was one for the Law Courts to decide.

The traditional friendly relations with Macao prevailed throughout the year. Macao was faced with many of the same problems which have confronted Hongkong. During the year the Governor of Hongkong visited Macao, and the Governor of Macao visited Hongkong, and mutual problems were discussed. Liaison and exchange of information on matters of mutual concern is maintained, and on the Police level the Commissioners of Police of the two places have co-operated closely.

Re-inforcement of the Garrison

The welcome arrival of reinforcements for the garrison during the summer, which brought the army strength up to a division plus a brigade and increased the strength of the naval and air forces, affected the Colony in a number of ways. There was naturally a considerable increase in confidence in the Colony generally, but inevitably there were difficulties in fitting the new arrivals into an already crowded territory with limited vacant land for expansion. Most of the additional units were accommodated on the mainland and temporary camps were erected by the Army pending the construction of more suitable accommodation. It became necessary to requisition private land and buildings and to make available crown land and government buildings to suit such varied requirements as barracks, hospitals, workshops, stores, artillery ranges and airstrips. Every effort was made to cause the minimum of dislocation to the normal life of the Colony and to minimise the difficulties of property owners, most of whom appreciated the importance and urgency of the matter and were most co-operative. The Service authorities also leased accommodation of various kinds and new construction, especially of unit accommodation, proceeded with all possible speed.

The process of reinforcement was carried out rapidly and after the manner of a military operation. As a result the arrangements for the accommodation of the reinforcing units necessarily fell below the standard

usual for garrison troops. Many units were throughout the year under canvas or in hurriedly improvised quarters and at the end of the year much remained to be done in providing adequate accommodation and recreational facilities.

The increase in military traffic has added to the congestion of the already crowded roads and has imposed a further strain on the surfaces which has entailed an increase in maintenance work. Construction of new roads has been undertaken as a joint enterprise between the civil and military authorities. While the increased number of troops has affected the whole Colony, their presence has been most noticeable in the New Territories. The good relations which have been maintained between the troops and the local inhabitants of all classes say much for the high standard of conduct and discipline of the troops and the co-operation and good sense of the residents and the authorities concerned. The employment given directly by the Army and indirectly on the major and minor works arising out of the increase in the garrison has been especially welcomed by the inhabitants of the New Territories, and Government has of course been most scrupulous in the payment of fair compensation for any loss or damage to property.

One of the most pressing problems was that of water supply. During the summer months this presented no difficulty and camps were supplied from the nearest stream source, but looking to the future when heavy consumption by the Army might endanger local irrigation supplies, a big scheme was put into operation for supplying almost all major camps from one or two points where there was ample water, for example the Tai Lam river.

Hongkong Defence Force

The new Defence Force came into being on 1st March, 1949 and recruitment started at once. Under the command of a volunteer Commandant, Colonel L. T. Ride, the Force has an inter-Service headquarters staff and originally comprised five main components, namely, the naval, army and air force elements, the Women's Volunteer Force, and an Essential Services Wing. This was detached from the Force at the end of the year with the formation of the Essential Service Corps.

Volunteers are attested into the unit of their choice, the Regiment, the Naval Force or the Auxiliary Air Force, and undergo basic training in the Depot before being posted to their units. The duration of depot training, which consists mainly of elementary drill and rifle instruction, varies according to the previous experience of the volunteer, the maximum period being 13 weeks for those with no previous experience.

Recruitment proceeded steadily throughout the year. Attendance at training parades and at the Regiment's first annual camp was excellent, and considerable keenness and enthusiasm were shown by all volunteers. The

progress made would have been impossible without the assistance and support of the regular services.

At the end of the year the strength of the Force was just under 900 all ranks and recruits were coming forward steadily. Training was progressing well and all units were already in a position to give valuable support to the regular forces in an emergency.

Registration of the Population

Part of the machinery for control and security in conditions of emergency is the registration of persons and the issue of identity cards. Plans had been made for a census to be taken in 1948, but developments outside the Colony led to a decision to defer the census and instead to enact the Registration of Persons Ordinance 1949 which provides for the registration of persons in the Colony and for the issue of identity cards free of charge containing the particulars of the holder, his photograph and his thumb print. The primary object of the legislation is to aid any measures which may from time to time be found necessary for the maintenance of law and order and the distribution of supplies of food and other commodities.

Constitution Reform

Sir Mark Young's proposals for the revision of the Constitution, now commonly known as the Young Plan, envisaged the establishment of a Municipal Council, to which would be delegated certain of the functions at present discharged by the Government of Hongkong, and later the reconstitution of the Legislative Council in such a manner that an unofficial majority would be created instead of the official majority which exists at present. On 3rd June 1949 the Municipal Council Bill was published in the Gazette for information.

During 1949 public interest in constitutional amendments increased, two clubs, the Reform Club and the Chinese Reform Association, were formed, many persons expressed their views in the local Press, and finally a debate was held in the Legislative Council on the 22nd June, where a motion by an Unofficial Member was carried, all the Official Members abstaining.

The motion proposed the reversal of the timing of the Young Plan by advocating that a new Legislative Council be first established and that this new Legislative Council, with its unofficial majority should develop the Urban Council towards a Municipal Council somewhat on the lines proposed by Sir Mark Young. As regards the composition of the Legislative Council, the Young Plan recommended eight Unofficial and seven Official Members, excluding the Governor. All the eight Unofficial Members would be nominated, some by the Municipal Council, others by public bodies such as the Chamber of Commerce and some by the Governor. There were to be no elected members and therefore the question of franchise did not arise. The

Councillors would have to be British subject because they would have to take the oath of allegiance.

The new proposals of the Unofficial Members envisage eleven Unofficial Members and five Official Members, excluding the Governor, but the most radical departure from the proposals of Sir Mark Young is the introduction of elected members in the Legislative Council. The motion advocates four Chinese elected members and two non-Chinese elected members, two Chinese nominated members, one Portuguese and two other non-Chinese nominated members; so that the team of eleven Unofficials would be made up of six Chinese members, at least one Portuguese member and not more than four other non-Chinese members. The franchise would be restricted to British subjects.

At the close of the debate the Governor undertook to forward to the Secretary of State a copy of the debate together with other proposals which had been made in the columns of the Press or had reached him through other channels and his own comments and recommendations.

Development and Welfare

Under the terms of the Colonial Development and Welfare Act, 1945, the sum of £1,000,000 was allocated by His Majesty's Government for the development of the Colony's resources and a separate sum was set aside to enable individual Colonies to participate in approved central schemes such as research projects. A Committee composed of official and unofficial members was appointed in June, 1946, to produce a comprehensive and detailed plan for the development and welfare of the Colony during the period 1946-1956 bearing in mind the principle that the cost of such a plan should be borne partly from the £1,000,000 grant and partly from such funds as the Colony might be able to set aside for this purpose. In general the contribution of Hongkong has been the provision of staff to plan, supervise and operate the various approved projects.

As a first step in the drawing up of this plan, Sir Patrick Abercrombie was invited to make a survey of the needs of Hongkong in the matter of town planning and to prepare an outline plan for the development of the urban area. This survey was published in September, 1949, and envisages far-reaching alterations in the construction and layout of the urban area of Victoria and Kowloon. Detailed projects, based on such portions of the survey as are capable of immediate implementation in the light of the present economic position of the Colony, are now being prepared.

Preparation and implementation of plans for the rural areas are more advanced since in these areas the planners are not confronted with the same problems of what to do with existing structures, such as confront the replanners of the urban areas. It has been accepted in principle that £500,000, or half the sum allocated to Hongkong, should be devoted to projects for

the development of the fishing and agricultural areas and the New Territories, on the economy of which the Japanese occupation had a disastrous effect. By means of these projects it is sought to amplify beyond the means of the Colony's present finances the plans of the Fisheries and Vegetable Wholesale Marketing Schemes for the development of the natural resources of the New Territories. Under one scheme approximately 46,000 square feet of land has been reclaimed on the western side of Aberdeen harbour; the approved total for this scheme is £10,000. At Kennedy Town Market the construction of four landing piers costing £6,848 was completed in November in order to facilitate the landing of fish brought for sale in the Fisheries Wholesale Market. Under a further scheme, whereby £9,375 were granted and a similar amount lent under the Fund, sixteen diesel lorries were purchased for the Vegetable Marketing organisation and are now in full use.

Several other schemes are in various stages of preparation and implementation. A grant of £18,375 and a loan of £9,375 will be made available for the establishment of village depots in the New Territories under the supervision of the Vegetable Marketing Organisation. Plans are in hand for de-centralizing the Organisation and breaking it up into small operating groups of producers who in turn will form the basis for the establishment of Co-operatives. Sixty such small groups, known as Village Depots, will be erected during the next two years, each depot costing about \$3,000. The depots, which will be operated by the farmers, will operate as village units to which farmers will bring their produce for weighing and will receive their supplies of baskets and fertilizer.

Grants totalling about £17,000 have been approved in respect of various scholarships tenable in the United Kingdom, and several scholars who benefited under these schemes have already returned to the Colony.

An upper air reporting station by which meteorological data are collected by means of radar-wind and radio-sonde has been established with the aid of a grant of £25,780 and is already in regular daily operation. Plans are in hand for extending this project. Other projects being planned include the construction of roads and piers and the extension of irrigation facilities in the New Territories, the establishment of a factory for the conversion of nightsoil and the making of topographical and land utilization surveys.

The Commerce of Hongkong

Hongkong's prosperity has been built up through its development as the commercial clearing house for goods destined for, and exported from, the Canton delta in particular, and South China in general. It produces relatively little within its own borders. Before the normal pattern of trade was disrupted by the outbreak of the Sino-Japanese War in 1937, over 40% of the Colony's total trade was conducted with China, and it is true to say that

in the long run, the trade of the Colony must continue to be linked with that of China, whatever temporary shifts in pattern have been brought about by the unsettled conditions prevailing in that country during the past few years. Since the end of the Pacific War, the Colony's trade with China has fallen steadily, and in 1948 amounted to less than 20% of the whole. To compensate for this, the Hongkong merchant with his traditional adaptability to changing conditions, has developed new markets in the countries to the south, in particular with Malaya and Siam.

Hongkong has maintained its traditional position as a free port, in spite of post-war economic developments in other parts of the world. Trade controls in Hongkong are kept to the minimum, an essential for a port that depends on its entrepot trade for its prosperity, and such controls are mainly confined to those made necessary either by international obligations in respect of scarce commodities or foreign exchange, or by the need to protect Hongkong's own supplies of scarce commodities. In so far as is consistent with the Colony's obligations to the sterling area, exchange control makes no attempt to enforce surrender of foreign exchange, where such an attempt might merely cause the exchange to be diverted elsewhere.

The Colony's trade for 1949 showed a great increase over 1948, which had itself been considered a boom year. The total value of imports and exports combined was £316.8 millions sterling (HK\$5,068 million), an increase over the 1948 figures of £228.7 millions sterling (HK\$3,659 million), of 38%. Imports of merchandise for 1949 were valued at £171.9 millions sterling (HK\$2,750 million), exports at £144.9 millions (HK\$2,318 million). The corresponding figures for 1948 were £129.8 millions (HK\$2,077 million) and £98.9 millions (HK\$1,582 million). Imports for 1949, therefore, showed an increase of 32% over the previous year, whilst exports showed an increase of more than 46%.

Trade has risen steadily throughout the year. At the time when Shanghai was occupied by the Communists, much cargo originally consigned to that port was off-loaded in Hongkong, leading to acute shortage of godown space. This situation was aggravated by the subsequent Nationalist blockade, but later on much of the cargo in question was shipped to Tientsin, and goods are once again on the move. One of the most interesting features of the year's trade has been the rapidly mounting volume of trade with North China, which indicates that a brighter future may be in store for the Colony in its trade relations with China, which have been so adversely affected by the past four years of civil war in that country.

The Colony's main imports during the year were textile fabrics, chemical elements and pharmaceutical products, hydrocarbon oils, manufactured articles, and vegetable oils. Main exports were textile fabrics, vegetable oils, cotton yarn, manufactures of base metal, and manufactured articles.

The following countries were the Colony's main sources of imports during the year: the figures quoted being in pounds sterling and Hongkong dollars to the nearest million: China (£37 millions; \$593 millions), United States of America (£36 millions; \$575 millions), United Kingdom (£24 millions; \$388 millions), Thailand (£7 millions; \$110 million), and Malaya (£7 millions; \$108 millions). Exports were directed mainly to the following destinations: China (£37 millions; \$585 millions), Macao (£17 millions; \$268 millions), Malaya (£15 millions; \$240 millions), United States (£15 millions; \$234 millions), United Kingdom (£9 millions; \$140 millions), and Thailand (£7 millions; \$116 millions). Exports from the British Commonwealth totalled £50 millions (\$796 millions), an increase of 38% over 1948. Exports to the

Hongkong's Service to the World

Hongkong, although shown in maps as only a speck off the coast of China, has an influence in the Far East altogether disproportionate to its size, and by serving the Far East the Colony also renders a service to the rest of the world which has not always been understood.

With the opening of the British Industries Fair, in which Hongkong manufacturers are participating to the full, an opportunity is again provided to show that articles of a high standard can be made in the local workshops and factories. The British public is already able to purchase at a very reasonable price men's cotton shirts made in the Colony, which from all accounts can stand up to hard wear; they are also familiar, though they may not have realised it, with the wearing qualities of Hongkong-made rubber shoes; and it is hoped that at the Fair they will be able to appreciate the quality of electric torches, hurricane lamps, enamelware, and the host of other articles "made in Hongkong".

An idea of the number and scope of the Hongkong factories can be gained by the fact that in this small Colony, which nevertheless has a population estimated at close upon 2 million, at the end of 1949 there were registered with the Labour Department 1,424 factories and workshops employing 81,566 workers. The products of these factories comprise, to itemise a few, textiles (22,171 employees), transport equipment (11,791), metal products, except machinery (10,331), rubber products (5,800), printing (4,500), electrical machinery (4,490), chemicals (2,560), machinery (1,490), footwear

(1,600), tobacco (1,311), mining & quarrying (1,246), and there are many small concerns making furniture (387) or leather products (200).

The attraction of a stable government, which assists industry in every way possible, combined with the assurance of protection given by the Colony's incorporation in the British Commonwealth, has provided an incentive for industries to transfer to Hongkong from cities in troubled China. Where it is possible to obtain raw materials from China for use in the local factories, this is done, but where through transport difficulties or lack of organisation such procuring of supplies has proved to be out of the question, Hongkong has turned to other countries and consequently has been able to carry on when industries in China have been obliged to suspend work through the lack of supplies.

However, manufacturing goods at a reasonable price is not the only service rendered by Hongkong. There is another very important aspect in the Colony's position off the coast of China which should not be overlooked, and that is the value it gives it as an entrepot. From Europe to the Far East is a long journey, and in a time of difficulty, such as that through which China is now passing and which is accentuated by the blockade of ports conducted by the Kuomintang from its last stand in Taiwan, merchants abroad might reasonably feel reluctant to despatch their wares to the Far East on the chance of their reaching their destination. As matters stand, however, they know that in Hongkong their goods will find sale storage until such time as the importer on the spot can arrange for transportation. Furthermore, to many cities there exists a choice of alternative routes that can be followed should the original be blocked. To Shanghai, for example, shipment can be made via Tsingtao or Tientsin and thence on by rail; or else the goods can be despatched by rail from the Colony to Canton and thence North to Shanghai or other cities. Again, of late since the frequent bombing of the railway linking Hongkong and Canton has made the use of this route less desirable, merchants have sought some other method of sending goods to the latter city; this problem has now been solved by despatching the goods to Macao, from whence they can be forwarded to Canton by road or by the numerous waterways that traverse the delta of the Pearl River. This route, though slower than the railway, has the advantage of being secure from the blockade at the mouth of the river or from the KMT bombing. The result is that in spite of many difficulties and the worries that have to be faced by the local merchant, it has been found possible not only to trade with China but to increase that trade. During 1949, it has surprised some people to learn that Hongkong's

trade with China rose by 38.5% from HK\$3,660 million (£228.8 million) in 1948 to \$5,069 million (£316.8 million) in 1949. Of the Colony's total trade last year the proportion taken by China (including Macao) was 30%, while the USA took 16% and the United Kingdom 10.4%. It is clearly open to doubt whether China, with Shanghai practically ruled out, could have conducted so much trade with abroad had not Hongkong been both ready and equipped to offer a helping hand.

At the moment, the problem confronting the Hongkong merchant is how best to conduct trade with the country now under the new Communist regime. At first all transactions were conducted under the barter system, to which Hongkong dealers had to adapt themselves; then this was changed and a gradual system of government control has been introduced in regard to most China produce. The private dealer is still free to import or export, but a certain proportion of foreign exchange has to be surrendered on each transaction, high customs dues are imposed where items are regarded as luxuries or where the desire is to develop local industries, and a number of constantly changing regulations has to be complied with. Willingness has, however, on more than one occasion been shown by the new authorities to put aside red-tape in circumstances where this has been found desirable, and that gives hope for the better conduct of affairs in the future. Meanwhile most exports of China produce, such as bristles, woodoil, etc., have to be arranged by the exporter through semi-official trading corporations established by the People's Govt. to handle this business.

China, which is by no means self-supporting, is desperately in need of raw materials, machinery, fertilisers, and indeed almost everything that goes into the building up of a modern state. These requirements Hongkong is fortunately able to satisfy, either from local manufactures or from abroad. To take one of the countries dealing with China through Hongkong, the United Kingdom in 1949 shipped to the Colony a variety of commodities amounting in value to \$32.3 million (£2 million) monthly, or an increase of 28.8% above the figures for 1948, these comprised in part sugar and confectionery, chemical and medicines, dyeing substances, tobacco, paper, textiles, yarns and threads, clothing, metals, machinery, electrical appliances, vehicles and transport equipment. In return Hongkong despatched to the United Kingdom vegetable oils, ginger, tea, bristles, underwear, rubber shoes, and various manufactured articles etc., to the value of \$11.6 million (£725,000) or 86% above the previous year's exports, gives reason to hope that this year Great Britain may be in a position to purchase still more in the way of China and Hongkong goods.

Commonwealth totalled £34 millions (\$542 millions), an increase of 34%. The Commonwealth's share of the Colony's imports in 1949 was 26%, of exports 23%. Imports from the United Kingdom showed a 29% increase over 1948, and large increases in imports from China, the United States of America, Switzerland, Holland, France, and Korea were also recorded.

The steady decrease in trade with China, which has been the most disturbing feature of the post-war period, was arrested in 1949. Imports from China increased by 38% over the previous year, whilst exports to China more than doubled. The change of government in China has resulted in a change in the nature of the Colony's exports to that country, raw materials and industrial merchandise having taken the place of consumer goods and general cargo. It is to be hoped that the return of more settled conditions to China will cause a gradual swing back towards the Colony's traditional trade pattern.

Throughout the year there has been a steady flow of capital from China into the Colony, attracted by the advantages of a stable currency and security, and much of this capital has been invested in a wide range of projects, particularly in industrial building, construction and new equipment for factories.

Hongkong's Public Finance

The budget for the coming fiscal year April 1950 to March 1951 amounts to \$192 million revenue and \$199 m. expenditure. The expenditure as estimated is the highest in the Colony's history, about 100% higher than pre-war (taking into consideration the decline in the purchasing value of HK\$ since the end of war), amounting to equivalents of £12.4 m. and US\$34.7 m. The cost of government (emoluments of government staff) accounts for about 40% (\$80 m.).

A deficit is estimated, viz. \$7 m., however in view of ultra-conservative estimates compiled in the past by the Financial Secretary (which e.g. for the current fiscal year foresaw practically no surplus while the revised estimate just made public shows a surplus of \$63 m.) the community looks forward to another favourable year and a new addition to the already imposing height of the revenue balance.

The fiscal year 1949/50 now drawing to its close was a highly satisfactory one as has been expected by informed businessmen in spite of official pessimism. Revised estimates now show \$248.5 m. revenue—\$68¼ m. or 38% above the original estimate—and \$185.5 m. expenditure—\$5.6 m. over original estimate. The surplus now estimated amounts to \$63 m. or 34%. Together with the carry forward from previous accounts—fiscal 1948/49 opened with a revenue balance of \$37 m., fiscal 1949/50 with \$72.1 m.—the new fiscal year, starting on April 1, 1950 should open with the unprecedented surplus of \$135 m.

The finances of Hongkong are in the best of shape and on a healthy basis. Government wants to build up reserves to a level approximating one year's expenditure; this has been reached when expenditure of 1947/48 (\$127.7) is taken as basis. No further piling up of reserves is necessary.

It is therefore most regrettable that Government is proposing the increase of the standard rate of the 1947 imposed income tax. The Financial Secretary stated that the increase is to amount to 50%, viz. from 10% standard rate to 15% with salaries tax starting at 3% instead of 2½%. Income tax receipts for 1950/51 should then produce \$50 m. or more than 25% of estimated expenditure. No doubt, Unofficial Members will oppose the increase but Government may ignore their arguments and the feeling of the public; Government is described as a 'benevolent autocracy' here but the community will now see whether the adjective is not only one of courtesy but also merited in fact. It is hoped that the proposed income tax rate increase will be shelved and that, in view of the high revenue receipts and the excessively large surplus, the actual outcome of the new fiscal year will be calmly awaited before so unpopular a step is being taken against the will of the whole community. Government is morally obliged, before further going into the question of direct taxation, to fulfill its promises

of constitutional reform and granting an Unofficial majority in Legislative Council. Then, and only then, it is fair to start discussing the increase of the income tax standard rate. The people of Hongkong continue to be deprived of representation and while they appreciate the excellent performance of the civil service and its integrity they object to any further increase in taxation, direct or indirect.

Government professes to be anxious to reduce the high cost of living here but seems to be not aware that higher taxation stultifies its efforts. If reserves are to be built up it is not necessary to do that in a hurry, to achieve in 3 years what can be spread over 10 years and more. Nevertheless, the surplus piled up so far is very large and more than adequate. If Government wants to see an ever mounting surplus let there be exercised more moderation in spending; from actual spending in 1947/48 of \$127.7 m. to the now estimated expenditure of \$199 m. an increase of 56% was recorded.

The Colony's public debt is insignificant, less than \$68 m. are outstanding (service of interest for the new fiscal year will amount of \$2.2 m. while contributions to sinking funds will absorb \$1.7 m.). If Government wants to finance more ambitious public works from current revenue and funds are sufficient there cannot be any objection; but the present generation would prefer such finance to be partly carried by the next generation by way of floating more bonds which, in view of the very small public debt now in existence, should be not too difficult a financial proposition.

Expenditure under Rehabilitation Loan provisions is estimated to total by the end of the current fiscal year \$113.8 m. (defrayed from loan funds, \$50 m., and Government surplus, \$68.3 m.). For 1950/51 loan expenditure should total \$23.8 m.

Hongkong Revenue & Expenditure
Actual, estimated & revised estimates for the four fiscal years 1947/48 to 1950/51:—

Revenue (in thousands of HK\$)				
	Actual Revenue for 1947-48	Actual Revenue for 1948-49	Revised Estimate 1949-50	Approved Estimate 1950-51
Duties	50,869	41,111	63,250	39,300
Rates	9,984	14,984	20,700	21,518
Internal Revenue	38,696	70,513	66,000	64,500
Licences, Fines, and Forfeitures	7,441	13,195	13,600	9,646
Fees of Court or Office ..	9,083	14,342	20,200	16,977
Water Revenue	5,667	6,312	7,850	5,786
Post Office	7,065	9,325	12,000	10,095
Kowloon Canton Railway Revenue from Land, Rents, etc.	6,370	7,000	7,000	7,004
Miscellaneous Receipts ..	3,557	5,247	6,750	6,201
Colonial Development and Welfare Grants	4,456	6,785	9,350	7,790
Grants from United Kingdom Government	—	215	1,086	410
	12,000	—	16,000	—
Land Sales	155,193	189,034	243,786	189,229
	9,104	5,899	4,737	2,750
Total Revenue	164,298	194,933	248,523	191,979

Expenditure				
	Actual Expenditure 1947-48	Actual Expenditure 1948-49	Revised Estimate 1949-50	Approved Estimate 1950-51
H.E. the Governor	240	212	231	230
Agriculture Department ..	196	357	730	793
Audit Department	175	247	243	229
Civil Aviation Department	254	566	834	1,136
Colonial Secretariat and Legislature	691	954	1,098	1,203
Department of Commerce and Industry	554	1,037	1,288	1,236
Co-operatives & Marketing				
A—Fish Marketing Organization	—	—	73	71
B—Vegetable Marketing Organization ...	—	—	84	77

Conditions in South China

During the 5 months of communist rule in South China general economic conditions have deteriorated not so much as a result of the alleged inability of the new masters to make the eco-

nomy of that part of China tick but because of the continued civil war and the Peking government's preoccupation with military and political (indoctrination, reeducation) matters.

	Actual Expenditure 1947-48	Actual Expenditure 1948-49	Revised Estimate 1949-50	Approved Estimate 1950-51
District Office New Territories	150	365	365	383
Education Department ..	6,444	11,703	5,058	5,440
Fire Brigade	569	947	1,184	1,353
Fisheries Department	71	62	121	124
Forestry Department	176	483	429	410
Gardens Department	169	413	349	341
Hongkong Defence Force				
A—H.K. Regiment	72	620	2,285	1,054
B—H.K. Naval Force ..	2	47	209	574
C—H.K. Auxiliary Air Force	—	—	135	123
Inland Revenue Dept. ..	311	593	815	889
Kowloon Canton Railway	2,995	4,361	5,443	5,007
Labour Department	136	236	286	291
Legal Department	308	524	372	657
Magistries				
A—H.K. Magistracy ..	92	116	130	130
B—Kowloon Magistracy	63	104	112	114
Marine Department	3,368	4,275	4,934	6,147
Medical Department	7,023	12,924	12,749	12,670
Miscellaneous Services ..	60,763	57,386	37,832	37,521
Pensions	5,922	6,499	6,720	7,870
Police Force	6,627	10,715	12,633	15,553
Post Office, Broadcasting, and Telecommunications				
A—Post Office	1,668	2,932	3,664	4,179
B—Broadcasting	201	242	345	415
C—Telecommunications	615	784	979	966
Prisons Department	2,514	3,030	3,934	4,268
Public Debt	1,862	4,009	5,486	5,084
Public Relations Office ..	56	72	141	137
Public Works Department	2,487	3,643	4,349	5,434
Public Works Recurrent ..	6,234	9,747	12,632	17,033
Public Works Non-Recurrent	886	2,604	19,618	27,510
Rating & Valuation Dept.	—	161	196	212
Registrar General's Dept.	—	—	166	177
Royal Observatory	199	291	404	415
Sanitary Department and Urban Council	1,761	4,313	5,724	7,428
Secretariat for Chinese Affairs				
A—Secretariat for Chinese Affairs	179	172	177	187
B—Social Welfare Office	1,244	1,005	812	756
C—District Watch Force	52	183	186	168
Statistical Department				
A—Statistical Dept. ...	—	114	131	127
B—Registration Branch	—	—	—	288
Stores Department	8,175	7,874	6,591	5,564
Subventions	199	878	13,245	14,172
Department of Supplies & Distribution	680	731	792	814
Supreme Court	242	329	422	427
Treasury	754	726	780	801
Colonial Development and Welfare Schemes	—	219	2,316	410
Custodian of Property ..	118	57	42	42
Quartermaster Authority ..	—	—	—	204
Essential Services Corps	—	—	—	186
Development Secretariat				
A—Directorate	54	48	—	—
B—Fisheries Research Station	12	19	—	—
District Office, South	113	—	—	—
Total	127,701	159,954	179,924	199,051

In Kwangtung, the morally inspired policy of the CCP has so far not produced any good results; the behavior of the Cantonese is as selfish as before and the youth of the province seems to be less amenable to communist doctrines than to the principles of making money according to the precepts of their elders. The indoctrination campaigns have met with much ridicule on part of the liberated people who are obstinate in their realism: they want better living conditions, less control, less bureaucracy (of whatever political persuasion). The official news relate nothing but military preparations and exhortations by generals and party leaders to the public to cooperate with the government and to exert all their strength to wipe out the KMT from their Taiwan and Hainan strongholds.

But now as before the Cantonese are sitting on the fence, show some verbal fire in acclaiming this or that side in the contest for power in China's government, but on the whole they are spectators, convinced that both warring parties are of no ultimate good to the nation but resigned to the fact that the communists are the stronger, more intelligent, less corrupt and more efficient; and therefore victory is theirs. This does not, however, inspire any public outbreak of 'new morality' or a 'change of heart'.

The sort of new nationalism which is now preached by the communists does not catch with the shrewd Cantonese; there is wisdom in their passivity but whether it will remain that way is a matter of political conjecture. The communists are renowned for their ruthlessness, their devotion to the great ideal of changing society in every form of its appearance, and it is therefore quite likely that in the long run—after peace in China has been restored which, improbable as it sounds, will nevertheless one of these days be a fact—the communists will triumph over the ingrained habits of the 'obstinate southerner'.

Qui vivra, verra—and the communists are sure that they will live and see it.

A catalog of economic deterioration is presented in the following but there is no suggestion that political power of the new masters is weakening on account of the sordid state of affairs as described.

Agriculture:—Winter wheat crops in Hunan were unusually small and hopes for shipments to South China must be disappointed. Rice crops in that province were however estimated optimistically but the exportable surplus has been allocated for Central China relief which the Peking govt. considers as more important than Kwangtung relief. Kwangsi rice crops in spring may not produce any surplus though provincial needs should be adequately covered. Guerillas and army remnants loyal to the Kwangsi military clique are causing havoc to the countryside. Civil disturbances coupled with bandits infesting large districts are a real plague on the natives. Rice fields in Kwangtung are largely not cultivated as big land owners are not prepared to sow;

they complain together with their tenants that taxes in kind are too heavy and that army exactions have been too frequent.

Kwangtung is quietly awaiting a rice shortage, especially in the coastal districts of the south-east and west. An air of fatalism is distinct just as in the case of annual floods — what can't be cured must be endured. In the post-war years Kwangtung survived only because of large supplies of rice from Hunan and Kwangsi besides US relief (Thailand rice etc. bought with US relief funds and sent to the Cantonese).

Sugar cane plantations are much reduced, up to 50%, due to losses in canes last year. Most sugar factories in Kwangtung have suspended operations as there is no cane arriving. Silk districts report poor working, high taxation is resisted with little success. Tung oil output in Kwangsi was high but transport is a matter of great difficulty and prices thus rise not only in inflated People's money but also in terms of gold and rice.

Industries.—Profitable production by private owners becomes ever more of an impossible proposition. Rubber goods, cigarettes, matches, native paper production is on the whole sizeable, as large as before the change-over. Government owned plants are not so much concerned with profits; the new government took over a well-ordered though overstaffed provincial government owned industry and it operates them as good as present conditions permit. Sugar factories are mostly closed as cane supply is insufficient, cement works are underemployed as construction demands are dropping but weaving mills are enjoying capacity working as military orders are plentiful and still rising. The embroidery industry in the Swatow area has been hard hit, due mainly to the blockade but also as a result of reduced interest in the US; the drop in working amounts to some 50% compared to the time about a year ago. Canton's famous handicraft industries like ivory carving is dead as foreign orders have hardly come in and domestic requirements are practically nil.

Mining.—Tin mines in Ho Hsien (Kwangsi) are to a large extent inoperative; high working and labour costs are forcing smaller mine operators out of the business. Coal mines in northern Kwangtung are producing at about one third of spring 1949 as guerillas are in the area and transport conditions have worsened.

Trade & Finance.—Wholesale dealers in Canton, Wuchow, Changsha and other leading cities refrain from doing business as the tax burden is heavy and loan subscriptions are too forcefully pushed. Retail shops continue but turnover usually just covers overheads. There is still a good amount of illegal cargo brought into Canton but public purchasing power having declined, sales are difficult. More trade is handled by state agencies with private dealers finding official competition too big a hurdle, besides suffering from money tightness a matter which is not encountered by the state trading corporations.

HK\$ is officially banned but the people, especially in Canton and southern Kwangtung, still use this foreign currency; secrecy is observed however. All large commercial transactions are based on HK\$. Merchants have no confidence in the stability of the new People's money; the constant depreciation of this scrip of the People's Bank of China while not coming as a surprise to the more hardened and cynical business community of Canton has nevertheless caused a profound disillusionment among the common people who now realise that by holding this currency they are bound to lose — just as was the case in the bad old days under the exploitative KMT. Compulsory conversion of HK\$ into PB\$ yielded up to now HK\$ 11 million which amount the People's Bank is utilising to finance imports. The note printing presses are working overtime which fact is not concealed from the public.

There is a serious crisis developing which resembles, in character though not in panic, the 'gold yuan' crisis under the KMT regime. Money circulation increases in velocity and there is a strong tendency to refuse acceptance of the PB\$. Hoarding of commodities, gold, foreign exchange is stimulated. No official assurances are received with trust. The authorities try to combat the inflation by attracting more overseas remittances, allowing high premiums over the official exchange rate, by popularising the parity savings deposit scheme and by compelling the well-to-do and even the less prosperous members of the community to take up Victory bonds. However the confidence crisis is foiling the efforts of the authorities who are compelled to use stronger methods to stem the hyper-inflationary flood and the high velocity of money circulation; such methods do not endear the new regime to the hearts of the people. Praiseworthy was the conduct of party workers and the garrison force in Canton who did not ask for payment of their emoluments in People's Bank notes but were content with receiving ration coupons entitling them to obtain commodities of a specified quantity. Non-party members of government were however paid in notes.

The most pressing problem of the near future will be the food shortage; if starvation is to be avoided the government will have either to divert rice supplies from other provinces to the south or to spend foreign exchange for the purpose of rice supplies in neighbouring Far Eastern countries.

Rehabilitation works cannot be started at the present stage of national emergency; first, the war has to be brought to an end, then, food production at home must be brought up to a level consistent with the needs of the population. Blueprints of industrialisation, magnificently but deceptively publicised by the KMT regime only a few months before its expulsion, are today far from even the early stage of realistic planning; to talk about them when the war still rages and the KMT forces show renewed vigor is either self-delusion or backfiring propaganda.

Conditions in Shanghai

Due to the stepped-up bombings and the intimidation of workers in factories, dockyard etc., who often refuse to continue in their jobs after KMT leaflets have been showered on them, economic activity in Shanghai has during the last two weeks further deteriorated. All business is at a standstill. Shanghai's industries are almost paralysed. Poverty and despair are spreading and the authorities seem to lack vigor to meet the admittedly confused and most difficult situation.

There is some alleviation found in the evacuation of factories to other parts of central China and even to Manchuria; workers who previously opposed this evacuation drive and actually invalidated thus the official order have now shown concern lest they are left in the apparently doomed city. There is a mounting exodus of industrial workers, factory equipment and educational facilities (together with staff); on the other hand, the unemployed people which make up the majority in town and the large numbers of marginally existing persons do not move and thus the reduction of the population is insignificant.

The communist party officials aver that the KMT air raids have achieved one good thing: the people's indignation has been aroused and they are now more willing to listen to the admonitions and teachings of the party worker. At the same time the relocation of industries, one of the principal objectives of the economic section of the Shanghai government, is slowly taking shape with the evacuation and resettlement elsewhere in China of many leading factories.

There is no use in digressing more on the hardships now suffered by the Shanghaiander, suffice to say that it is considered now to be the worst period in Shanghai's modern history compared to which the years of Japanese occupation were paradise.

The feelings of the people vis-a-vis the KMT govt. in Taipei are anything but friendly; even the underground is disconcerted having wished air attacks anywhere else but in Shanghai. If the air offensive would bring about anything positive for the KMT, even in the long run, it could be defended on such grounds but the fact is that the warring strength of the new government cannot be undermined by such actions of the KMT air and naval forces; as guerilla the present stage of warfare is effective as witness the desolation in Shanghai but the resolution of the CCP has not, and by such methods cannot be weakened.

The common people have to pay the bill of warfare and they do it with surprisingly little murmuring. The hold of the CCP on the minds of the young people has not at all declined as a consequence of the protracted sea blockade and the depredations wrought during recent weeks by the airforce from Taiwan.

The picture of Shanghai today is very dismal especially after the electric power works in Yangtzepoo, Nan-

tao, Chapei, the waterworks in Chapei were severely damaged and many factories have stopped working altogether. Commercial firms are idling away their time, until their resources have gone. Some domestic trade is carried on but it cannot compensate for the loss in foreign trade. If the population could be reduced by 50% the situation might still not be viewed with confidence; unemployment is ever on the rise and only resumption of trade and production can bring a stop to the present rot. The foreign residents are in bad shape and most who have stayed on — much against their will — are anxious to get out. It is a wonder how these foreigners still manage to exist being mostly without regular earnings or income.

Prewar quoted shares cannot be dealt with openly and the small curb market neglects them. Investors are a poor lot today; their money is frozen in 'gilt-edged securities' which pay not a cent interest and dividends of industrial companies are very rarely allowed by directors and approved by the government. Prewar loans may eventually be recognised by the Peking government but payment of interest may be deferred till after doomsday. The loans contracted by the Chiang Kai-shek regime are dead losses as was to be expected. When the Bolsheviks assumed power in Russia in 1917 they abrogated the obligation of the Czarist indebtedness; the same might in the end be countenanced in China. Big property holders will certainly lose, one way or the other, their capital — at best some indemnification of the frozen sort will be granted — but the common shareholders may receive some modest interest payment subject to irksome controls; the new government professes anxiety for the small investor and also wants to encourage investment by the public in industries (privately or jointly government owned).

The worst affliction of the people is however the price spiral. Only a short period of calm is granted before the avalanche of price increase opens again. Commodity prices are then rushing ahead, service charges follow, sometimes jumping in advance, and foreign exchange and gold rates (black market at first then official Bank of China) also move though never in unison. There is always a time lag which penalises holders and earners of exchange and gold. This shows that poverty is spreading, that first of all the public reacts to higher prices of commodities by hoarding them and only small funds are going these days into gold or US\$. There is still some interest in HK\$ but trading in this currency is relatively unimportant which is, in view of the big trade between Hongkong and Shanghai (via ports in North and South China), a matter of surprise. The black market is careful but not particularly secretive. Police action is now rarely taken but informers and stool-pigeons are active which is only another reflection on the destitution of the city's population.

Many Chinese are applying for exit visas which, if Hongkong is given as destination, are not always granted.

The Situation in Foochow

After liberation, last September, economic conditions in Foochow, as in the northern part of Fukien, have slumped. The KMT blockade has been effective as far as Foochow's foreign trade is concerned and coastal shipping has also been disrupted. Under aggravating conditions of trade, on whose prosperity the majority of Foochow's population depends, the progress of political propaganda of the communists has been hampered but the younger generation is nevertheless either already devoted to the CCP with its national salvation program and forceful slogans or successively drawn into the political life.

The business man remains aloof and is often hostile when asked for support of the Party or one of its subordinate groups and movements. The main worry is to keep afloat and this is a difficult proposition at present. Not only is cost of living rising while earnings do not keep pace but prospects for an improvement appear remote. With the termination of the civil war, it is true, these difficulties may be resolved but the end of the war is far off; as long as Taiwan remains under KMT control and the government there commands a more or less efficient air and naval force, coupled with US support, the fate of Fukien hangs in the balance. The local CCP leaders recognise these dangers fully and do not conceal, at least in non publicised meetings, their apprehensions but nothing can be done about it and the war has to be seen through to its bitter end. Confidence is however apparent everywhere that finally the Peking govt. will master the situation and with some Russian help will eventually subdue the Taiwan 'peril'.

Trade is the principal occupation of the city people but in recent months they had to shift over to other occupations which was not usually possible and has uprooted many families and menaced their livelihood. These facts are however not in any way indicative of political opposition growing against the present rulers but they are a sad

reflection on the miseries of the Chinese people who are not only suffering from so many natural calamities, but also from foreign aggression (in the case of Japan for many years past) and civil disorders.

Military activities are centering in southern Fukien with Amoy as the principal base; Foochow has been happily left out though the military establishment in the city is not small. The population is peaceful and no pacification force, other than police and gendarmerie, is required. The People's Liberation forces coming to Foochow are not for garrison duties but only in transit. In the country the army units usually are, following the directives of the supreme command in Peking, assisting the peasants and paying for what they demand. But the existence of large numbers of troops in the country, even if only for short periods, strains the resources of the rather poor area and higher prices are the result.

Following are commodity prices in Foochow, computed at the black market rate into US\$, both for the 5 months prior to and following the liberation. In evaluating the prices one must consider that prices do not cover the same months of the year (there are normal seasonal fluctuations), that they are average prices, that US\$ rates not always parallel commodity price movements, and that purchasing power has greatly declined since last winter with unemployment large and business activity a fraction of what it was a year ago.

Prices in US cents for period March — July 1949 and Sept. 1949 — Jan. 1950: Rice (one load of 160 lbs) US\$9 — 11; sugar 1 lb 9 cts — 15 cts; bread 1 lb 7 — 13; salt 1 lb 5 — 6; Irish potatoes 1 lb 4 — 3; lard 1 lb 42 — 43; pork 1 lb 35 — 27; beef 1 lb 29 — 20; peanuts roasted 1 lb 25 — 20; duck eggs 1 piece 2 — 3; red tea oz 6 — 4; charcoal 20 lbs 46 — 40; washing soap 1 piece 14 — 16; tobacco low quality 1 oz 5 — 6 US cents.

From a comparison one can see that those commodities which in normal times were insufficiently produced and had therefore to be imported (at present no longer possible to any large extent) have become more expensive (e.g. rice, sugar, wheat flour) while commodities which are supplied locally in abundance and normally are exported (e.g. tea, pork) are lower in price. When supply and demand are balanced, as in the case of salt, potatoes, eggs, soap, prices maintain an unchanged level. Normally the people in Foochow, although existing under almost medieval conditions, are not poor and there is enough for the majority but at present poverty is widespread and undernourishment only too painfully obvious.

Precautions are taken by the Shanghai authorities lest Chinese go to Taiwan though giving Hongkong as their destination. The compulsion to obtain exit visas, with two shop guarantees in every case, applies to Chinese as well as foreigners. In recent weeks the number of Hongkong bound emigrants has become alarmingly great — that is to say alarming for Hongkong. What these people are to begin in Hongkong which is so notoriously crowded remains to be seen but the report that the Hongkong government may consider the imposition of immigration control extending to Chinese from any part of the world has caused only a further swelling of exit visa applicants in Shanghai.

Economic Developments in Shanghai & Tientsin

SHANGHAI

For the period of February 15—21, 1950.

Shanghai faced the Chinese New Year's holiday with its economy virtually paralyzed due to the lack of power, together with the continued threat of renewed air attacks. The disintegrating of labour morale was another contributing factor.

Banking and Finance:—At the beginning of the week money was almost impossible to obtain. Fear of government reaction kept interest rates below 2 percent, which was incommensurate with the risks involved in making loans under current conditions. All foreign exchange rates remained unchanged through the early part of the week. The parity deposit unit rate showed a further drop on February 15 to 5,937.

Foreign Trade:—Declared Exports: Consular declared exports from Shanghai to the United States during January were valued at US\$1,239,772, as compared with total declared exports of only US\$875,349 in the month of December 1949. All January exports from Shanghai were shipped, however, through Tientsin or Tsingtao. Tung oil was the leading export, with shipments in the month valued at US\$893,335, comprising 72 percent of the total. The only other substantial export item was menthol crystals valued at US\$157,220. While January marked the first month in which hog bristles were brought under government control, there were no shipments of this item in January. During 1949, hog bristles constituted the leading export to the United States from Shanghai.

The tung oil shipments were exported by several firms, including the communist-controlled China Vegetable Oil Corporation, and represented cargo awaiting shipment on the "SS Flying Arrow." When that vessel failed to call at Shanghai, the Railway Administration aided exporters by carrying these shipments at the 50 percent reduced freight rates recently put into effect. Thus, tung oil was carried at the equivalent of US\$10 per long ton as compared to the normal rate of US\$20. All tung oil shipments were made at or above the established export floor price of US\$0.235 c. and f. San Francisco.

Import Licenses: Approved licenses in November were as follows:

(Under the foreign regulations announced for the East China Area in June 1949, imported commodities were classified as follows: (A) Goods permitted to be imported by firms buying foreign exchange deposit certificates at appointed banks with import permit or with private foreign exchange; (B) goods imported under special permit by state-owned foreign trade firms, and (C) goods prohibited importation without a special permit from the government. For purposes of brevity, those items included under (A) are usually designated as Schedule 1 while (B) and (C) are grouped together under Schedule 2 as shown in the table.)

Schedule 1:—A. permitted imports:

	US\$
Productive goods	1,978,620
Petroleum products	1,235,145
Chemical raw materials	7,862,966
Metals and mineral ores	1,250,264
Fibers	1,610,920
Daily necessities	1,586,726
Total permitted imports	15,724,641
Schedule 2:—	
B. Special permitted goods	157,231
C. Special approved imports	221,205

Total of import licenses approved 16,103,077

Of the above total, the most significant feature was the large percentage of import licenses approved as being financed by "private exchange" which aggregated US\$10,975,140 or 68.2 percent of the total. Strictly speaking, these imports would appear to have been financed by black market foreign exchange operation with the tacit prior approval of the authorities. The latter only granted import licenses for US\$ 2,656,934 or 16.5 percent of the total for commodities chiefly petroleum products, financed with foreign exchange provided from government reserves. Import licenses approved in November under the old KMT licenses, link system, and barter, in addition to the foregoing are shown below:

Private exchange	US\$10,975,140
Old KMT licenses	2,095,219
Link system	344,244
Exchange through government	2,656,994
Barter	31,480

Total approved licenses US\$16,103,077

Commodities:—Very little market activity was reported, as wholesale and retail outlets closed for the observance of the Chinese New Year.

For the period of February 22—23, 1950.

Foreign Trade:—A 50 percent reduction in railroad freight rates will be granted on tea, tea brick and fresh eggs when shipped for export to Tientsin, Tsingtao, or Canton from producing areas. Heretofore such reductions applied only to Shanghai-Tientsin shipments. Export of bran from North China has been prohibited because of the food shortage.

Banking and Finance:—Official foreign exchange rates were revised upward twice within the week. As of February 23, US dollar, PB\$28,800 (cash), 32,000 (TT); pound sterling, 45,000 (cash), 80,000 (TT); Hongkong dollar, PB\$3,000 (cash), 4,900 (TT). The cross rate between PB\$ and NE\$ (Manchurian dollar) was lowered to 1 to 10. The parity deposit unit rose from 5,937 on February 15 to 6,517 on February 23. US dollar rate for remittances from overseas, whether for victory bonds or not, is PB\$34,500.

Ten Chinese banks failed to open after the Chinese New Year holiday and have been ordered closed for liquidation. The Bank of China is now issuing cashiers checks in minimum amounts of about PB\$ one million to avoid awkward bundles of paper money orders are now being issued for Southwest China for the first time since the communist take-over.

Industry:—Shanghai electric power companies, recently severely damaged by air bombing, are reported to have resumed partial production. However, many factories are reported to be unwilling to reopen, probably because of fear of future bombings. Shanghai factories are capable of producing only 16,000 Kw, with their own generating plants. Several Shanghai factories are reported to have moved to Peking, Mukden, Kaifeng, Changchow, and Hsuechow.

Transportation:—All Chinese rail freight and passenger rates were to be raised 50 percent on March 1. Basic rates were reported to be PB\$115 per km. for passengers and PB\$24 per picul per km. for freight. Passenger rates on South China Railways, PB\$135 per km.

Commodities:—Government organizations almost completely dominated the commodity market during the week, February 20—25: Government rice sales, 146,000 piculs; by private wholesalers, 15,000; government flour sales, 64,000 bags; private dealers, none; government sales of edible oil, 7,000 piculs; private dealers, 5,000; government sales of cotton cloth, 7,900 bolts; private dealers, 300. The average price rise of all commodities was about seven percent.

The collection price of Shanghai No. 17 bristles has been raised to PB\$6.2 million per picul.

TIENTSIN

For the period of January 28—February 3, 1950.

Foreign Trade:—Straw Hats: In the period, January 11–20, the export of straw hats from Tientsin was valued at PB\$1,835,258,000 (equivalent to US\$ 76,400 at prevailing official foreign exchange rates) which represented 5.17 percent of the total produce exported in that period.

Tientsin Testing Bureau: In the period, April–December 1949, the Tientsin Testing Bureau examined 4,476 import shipments: the Bureau's examination of export commodities comprised 1,735 agricultural products, 2,123 animal products, and 618 industrial items.

Bristles: The official North China Bristle Company in its seven months of operations recovered 68 percent of the amount that had been annually exported under the Nationalists.

Animals: The official Central Financial and Economic Committee, as of February 1, banned the export of live animals including horses, oxen, donkeys, mules, hogs, and sheep as a protective measure for farm production.

Interarea Trade:—In the period from December 22 to January 31, the official North China Food Company received 57,700 short tons of wheat from the Honan area where a bumper crop was reported; the company's allocation is about 76,700 short tons.

Since it was established in September 1949, the North China Furs and Hides Company has handled over 5,000 tons of wool and hair items, 1 million pieces of furs and hides, 300,000 square feet

of woollen carpets and hooked rugs, etc. The export of these products provided foreign exchange equivalent to PB\$55 billion.

The North China Furs and Hides Company purchased at market prices in December about 31 tons of Hsining wool and 41 tons of camel hair originally brought from the Northwest. It expects to purchase another 100 tons of wool and hair items from Lanchow.

Finance:—Foreign exchange transactions for the week ending January 28 totalled US\$998,244, £107,709, and HK\$1,724,257, aggregating the equivalent of US\$1,575,713, a 20.58 percent decrease as compared with the previous week.

Official foreign exchange rates for the week under review remained the same.

Commodities:—Over the month of January commodity prices showed a general increase. US dollar equivalents of prices of leading commodities also show an increase up to the week under review; between January 23 and 30, however, the US dollar equivalents showed a drop thus indicating a lag in the adjustment of exchange rates to keep pace with the increase in prices. This is revealed in the table below showing the weekly changes in January of prices of flour, millet and cloth:

Week ending	Flour (49 lb. bag)		Millet (Catty)		Cloth (40 yd. bolt)	
	PB\$	US\$	PB\$	US\$	PB\$	US\$
Jan. 9	60,000	2.61	950	0.041	151,500	6.59
" 16	68,080	2.72	950	0.038	155,000	6.20
" 23	85,000	3.40	1200	0.048	178,000	7.12
" 30	82,000	2.98	1100	0.04	185,000	6.74

For the period of February 4—12, 1950.

Foreign Trade:—Total exports for 1949, as reported by the Tientsin Maritime Customs, amounted to PB\$189,177,070,000, and total imports, PB\$144,225,550,000. Principal exports were as follows:

	Quantity Metric tons	Percent of total value
Egg yolk and albumen (bulk)	2,472	14.1
Carpets and rugs	1,925	7.6
Sheep wool and hair	2,099	6.6
Hides and skins	—	6.2
Strawbreds	757	4.1
Salt	50,960	3.8
Medicinal substances	4,564	3.7
Menthol crystals	4,359	3.6
Pig bristles	360	3.4
Intestines (casings)	227	2.7
		55.8

Imports for 1949 consisted principally of metal ware and materials, machinery and machine tools, 36.0 percent of total value; chemicals, medicines, dyes, pigments and rubber, 32.9 percent; flax and gunny bags, 10.7 percent; paper and books, 7.5 percent.

The government owned North China Oil and Tallow Company exported 1,410 tons of shelled and 290 tons of unshelled peanuts in January. The Company also arranged for export through Tientsin of 250 tons of wood oil from Central China. The Trade Ministry has banned the importation of alcohol to encourage domestic production. As

Foreign Trade:—The Industrial and Banking Group of the Provincial Production Committee approved the following US dollar exchange allocations on February 8: \$50,800 Japanese barter credit to Keelung Harbour Bureau for 4 electric cranes; \$140,000 Japanese credit to the Provincial Railway Bureau for 100,000 railway ties; \$157,590 Japanese credit to Taiwan Power Company for equipment; and \$89,200 to the Provincial Liquor and Tobacco Bureau for 2,000 metric tons of glass waste originating from United States.

An allocation of US\$48,000 from Japanese barter exchange has been approved by the Provincial Production Committee to the Water Conservation Bureau for the purchase of 4000 tons of wire; a similar allocation has been approved to the Taipei Fire Department of US 6,424 for the purchase of two fire engines. Export of feathers has been reduced by a sharp increase in domestic price.

Customs income, July through December 1949, is reported as silver dollars 6.7 million plus NT yuan 24 million; for January 1950, silver dollars 192,000 plus NT yuan 2 million (equivalent to approximately US 464,000), about 60 times the January 1949 figure.

a result of loans made by the Bank of China against foreign exchange returns, the following goods were exported in January: wool and hairs, US\$203,000; furs and hides, US\$56,000; walnut meats, US\$131,000; intestines, US\$115,000; rugs and carpets, US\$266,000.

Coastal Trade:—The total value of domestic coastal trade for the year 1949 was reported as follows: Exports, PB\$13,777,830,000; imports, PB\$41,638,120,000.

Banking and Finance:—Foreign exchange transactions for the week ending February 4 totalled the equivalent of US\$1,378,192, a 12.53 percent decrease as compared with the previous week.

Official foreign exchange rates were raised on February 8 as follows: US dollar, PB\$29,000; pound sterling, 71,200; Hongkong dollar, 4,538 (all TT rates). The parity deposit unit on February 6 was given as PB\$4,210.23.

Mining:—The Kailan Mining Administration reports the achievement of steady monthly coal production increases during the year 1949. Average monthly production for the year has been calculated as 294,525 metric tons, the peak having been reached in December, with 443,504 tons.

Commodities:—Retail market prices as of February 6 are reported as follows: Flour per 49 lb. bag, PB\$85,000, equivalent to US 3.09; millet per catty, PB\$900, US\$0.033; cotton cloth per 40 yard bolt, PB\$203,000, UB\$7.38.

Economic Developments in Taiwan

Banking and Finance:—The Finance Commission reports total note issue as of February 16 was just under NTY199 million (legal limit NTY200 million). A loan of NTY10 million has been approved by the Provincial Production Committee for the tea dealers guild. The Bank of Taiwan has started to release loans to 29 private industrial enterprises totalling NTY1,250,000. Official foreign exchange rates: US dollar, NTY5,000; Yuan Shih-Kai silver dollar 3.00. Gold: NTY336 per ounce.

A government connected paper reports that the Bank of Taiwan refused a request of the Central Bank of China to turn over commercial banks' reserves covering deposit withdrawals now deposited in the Bank of Taiwan. Local banking circles feel that the latter's holding of these reserves aids the provincial government in stabilizing the money market.

Taxation:—"Defense Surtax." For the purpose of unifying the collection of defense funds, the Taiwan Provincial Government, in an announcement dated January 20, ordered the imposition of "Defense Surtaxes" to be collected in addition to existing taxes levied upon certain commodity sales, business, entertainment, et cetera.

The rates at which Defense Surtaxes are to be levied follow:

1. 30 percent of the tax on the income from profit-seeking enterprises (including business income tax);
2. 100 percent of the Special Business Tax;
3. 30 percent of the Business Tax (including General Business Tax);
4. 200 percent of the Entertainment Tax;
5. 200 percent of the Feast Tax;
6. 50 percent of the Dues on Title Deeds;
7. 30 percent of the House Tax;
8. 50 percent of the Household Tax;
9. 50 percent of the Special Household Tax;
10. 100 percent of the Light Rates;
11. 50 percent on monopoly goods and of educational-reconstruction fees on tobacco and wine the import of which is permitted; and
12. NTY1.00 (US\$0.20 at official exchange rates) on each gallon of gasoline.

The defense surtax on the tax on the income from profit-seeking enterprises, special business tax, business tax, entertainment tax, feast tax, dues on title deeds, house tax, household tax, and special household tax is to be collected by the various Hsien (district or county) and municipal governments; the surtax on light rates by the Taiwan Power Company; the surtax on monopoly goods by the Taiwan Provincial Wine and Tobacco Monopoly Bureau; the surtax on business income tax, business tax, and on education-reconstruction fees on tobacco and wine by the Office of the Commissioners of Customs for North and South Taiwan; and the surtax on gasoline by the Taiwan Business Office of the China Petroleum Corporation.

The Provincial Government assumes responsibility for the supervision and control of all receipts and expenditures connected with the collection of the Defense Surtax assigning those banks acting as an official treasury to handle all such accounts. The latter are required to submit reports every 10 days to the provincial authorities covering all surtax funds remitted and deposited.

Economic Developments in South Korea

(Report for November)

The Republic of Korea started its Government rice purchases on November 9, 1949, and by December 1 about 50 percent of its 3,500,000-suk purchase goal had been completed (1 suk=5.1 bushels). This highly successful purchase of rice during the month of November is attributable in large measure to a liberal buying price, which, in terms of incentive goods, is sufficiently close to the open-market price to be attractive to farmers. Farmers receive for each 54-kilogram straw bag of rough rice 1,300-won in cash, a 1,000-won certificate redeemable in fertilizer, and 2 yards of cotton cloth. The total cost of the rice-purchase program is estimated at 29,800,000,000 won, of which about 11,000,000,000 won represents cash outlay by the Government.

It is estimated that this year's excellent rice harvest will provide 1,900,000 suk for the Government's selective rationing system, 600,000 suk for food reserves, and 1,000,000 suk (about 143,000 metric tons) for export. Although Japan is interested in importing up to 150,000 metric tons of rice from Korea, no rice-export contracts have as yet been concluded. The exportable rice surpluses in other Asiatic areas will play a significant role in the price, and therefore the quantity of rice which Japan may buy from Korea.

Mineral Production

The production of anthracite and lignite coal in the Government and private mines of the Republic of Korea during the month of October is estimated at 83,815 metric tons, about 3,000 tons less than that of September. Anthracite production in the Government mines totalled 73,235 tons, whereas anthracite produced in the private mines is estimated at 7,000 tons. Lignite production in October amounted to 3,580 tons. It is anticipated that coal output will show gains in November and December as a result of the Government's payment in November of mine expenses for the period from late May to the end of September.

September production of other minerals was as follows: Gold, 3.06 kilo-

grams; tungsten, 71.5 metric tons of metal content; crystalline graphite, 96.5 metric tons; amorphous graphite, 3.1 metric tons; and lead, 9.4 metric tons of metal content. All of these figures reflect declines in production as compared with August, except for crystalline graphite and lead.

Electric Power and Industry

Electric-power output during November is estimated to have averaged 77,600 kilowatts, reflecting an increase over average output of 71,835 kilowatts in October, but falling short of the official goal of 89,000 kilowatts for November. The increase in output is attributed largely to increased production at the Yongwol thermal plant which generated more than half the total power produced in the Republic for the month of November. Increased coal deliveries to Yongwol, averaging more than 2,500 tons daily, were responsible for the greater output at this plant. The source of total electric power during November was as follows: 70 percent from thermal plants, 27 percent from oil plants, and 3 percent from hydroelectric plants.

Industrial production declined in October as a result of the decreased availability of electric power during that month. Over-all gains in industrial output are forecast for November, however, in view of the currently increasing availabilities of electric power. Statistics indicate production in October of 1,093,000 kilograms of cotton yarn for weaving, 6,064,000 kilograms of cotton sheeting, 986 metric tons of paper, 62,060 metric tons of coal briquets, 2,503,838 pairs of rubber shoes, and 1,240 metric tons of tobacco products.

Finance

For the period October 31 to November 30, 1949, Government expenditures were reported at approximately 7,200,000,000 won, and revenues, excluding those from Government railroads, the Monopoly Bureau, and other enterprises, were placed at about 1,700,000,000 won, bringing the Government overdraft to about 84,017,000,000 won. Government disbursements during the first 6 months of the fiscal year, ended September 30, were 47,100,000,000 won as against receipts of 27,700,000,000 won, leaving a deficit of 19,420,000,000 won for the period. The Monopoly Bureau was the largest income earner during that period with a net income of 5,200,000,000 won or approximately only 20 percent of the budgetary estimate for the entire year. Taxes, which were estimated to produce more than 10,000,000,000 won for the year, yielded only 3,140,000,000 won for the 6-month period. The Government overdraft during this 6-month period increased by 27,700,000,000 won which is in excess of the limit of 27,400,000,000 won set by the Assembly for the entire fiscal year.

As a result of the continued Government deficit spending, primarily for rice purchases, currency in circulation on November 30 rose to the unprecedented

high of 67,100,000,000 won, or 13,800,000,000 won more than that on October 31. Commodity prices, particularly fuels and textile products, continued to rise in November with the open-market price of rice remaining relatively constant. The price of rice did not decline during November as much as anticipated, despite the conclusion of an excellent harvest. At the end of November the price for rice was 1,105 won per small mal (16.5 pounds) as compared with 1,160 won at the end of October.

Foreign Exchange

The first foreign-exchange auction sale was held on November 12, 1949, at the Korean Foreign Exchange Bank (KFEB) in Seoul in which US\$412,619 was sold to 17 bidders at rates ranging from a high of 1,980 won to a low of 900 won to the dollar. Despite the anticipated establishment of a won-dollar rate in the vicinity of the KFEB transfer market rate of about 2,000 won to the dollar and the black-market rate of 2,450 won to the dollar for greenbacks, the auction established a rate of 900 won to the dollar. The failure of the auction to establish a more realistic rate for the won is attributed in large measure to the small number of bidders (reflecting the Government's restrictive import-licensing policy) and to the virtual absence of private offerings. All but \$500 was offered by the Korean Government and the KFEB. Even after the results of the auction were announced, approved transfers for commercial account were effected by the KFEB at 2,100 won to the dollar.

Foreign Trade

During the month of October the Republic of Korea's total imports were valued at US\$13,079,559, of which private imports accounted for \$1,655,593 and Government imports \$11,423,966. Private imports consisted principally of raw rubber, cotton yarn and thread, and newsprint. Total exports for the month on the other hand, were valued at \$1,567,000. Of this amount \$70,000 was on a Government level and \$1,497,000 on a private level. Private exports included marine products to Hongkong, straw bags and crystalline graphite to Japan, and shark-liver oil, lead ore, and handicrafts to the United States. Total exports for the month of November are estimated at \$1,000,000 and are made up largely of marine products and red ginseng to Hongkong.

During the first 10 months of 1949 the Republic of Korea's total imports were valued at US\$123,824,559 or about 11 times as great as its total exports of \$11,497,397. The current imbalance between imports and exports may be lessened if Korea's anticipated export of about 150,000 metric tons of rice is achieved.

On November 23, 1949, a new Customs Tariff Law and relevant regulations were promulgated revising duties from the 10 percent ad valorem rate to a maximum of 80 percent ad valorem. Duty rates are levied in inverse order to the essentiality of the commodities to the Korean economy.

Effective February 16, the Provincial Finance Department reduced Defense Surtaxes on banquets (Feast Tax) and theatre attendance (Entertainment Tax) from 200 percent to 100 percent.

Commodities:—January coal production is officially reported as 152,000 metric tons (December 1949, 60,000 tons). Wholesale commodity prices (in New Taiwan yuan):—

	Unit	Nov. 30	Feb. 21
Rice, Government ration	Catty (1.323 lb.)	0.36	0.36
Rice, legal open sale	"	—	0.80
Flour	Kg.	1.45	1.40
Pork	Catty	4.25	4.50
Beef	"	1/	1/
Ceal	Picul	6.25	5.00

Agriculture:—Government predicts excellent wheat crop from about 22,000 acres, estimating yield at 18 to 30 bushels per acre.

(Report for December)

Korea's autumn rice-purchase program of 3,500,000 suk (about 510,000 metric tons) was estimated to be 90 percent completed by the end of December 1949. It is anticipated that the program will be completed early despite a currency shortage necessitating curtailment of cash payments and the unavailability of incentive goods for distribution. The estimated cash outlay by the Government from new bank loans for the entire program is now set at 12,500,000,000 won instead of the earlier estimate of 11,000,000,000 won. In view of the inflationary impact of the rice-purchase program, no attempts will be made to purchase rice in excess of the established goal. Although the price of rice normally declines in the crop-collection period, Seoul prices rose sharply in December from 1,100 won per small mal (16.5 pounds) at the beginning of the month to a mid-month high of 1,450 won and when dropped slightly at the end of the month to 1,400 won. The increase in price in Seoul is explained in large part by the provincial curtailment of rice movements and withholdings by dealers against possible future price increases.

Mineral Production

In November coal production of both anthracite and lignite in the Government and private mines was estimated at 109,290 metric tons or about 23,000 tons more than the October output of 86,364 tons. Anthracite production in the major Government mines in November amounted to 97,543 tons, as compared with 73,235 tons in October and anthracite mined in the private mines was estimated at 9,000 tons as compared with 9,549 tons in October. Lignite output fell from 3,580 tons in October to 2,747 tons in November.

Output of other minerals show increases in gold and silver, respectively, from 3.06 and 0.92 kilograms of metal content in September to 16.03 and 187.32 kilograms in October. Production declines were registered in tungsten concentrates—from 77.8 metric tons of metal content in September to 61.4 tons in October—and amorphous graphite—from 3,135 metric tons in September to 1,792 tons in October. Bismuth, kaolin, and fluorite production in October was reported at 16, 64, and 200 metric tons, respectively.

Electric Power and Industry

Electric-power output during December averaged 5,872 kilowatts or about 2 percent less than November output and 18 percent below the established goal of 93,000 kilowatts. December expectations were not realized as a result of mechanical failures, shortages of parts and operating funds, and deficiencies in technical and managerial skill. The approximate share of December's total output by source was as follows: Thermal plants, 70 percent; oil plants, 19 percent; and hydro-electric plants, 10 percent.

The level of over-all industrial production of southern Korea rose in November above October levels, reflecting the increased availability of raw

materials and power during that month. Industrial production in December remained at approximately the November level as a result of the slight decline in electric-power output. The Republic's industrial plant is operating at approximately 55 percent of operable capacity. Production data of major industrial goods were as follows for November 1949: Cotton yarn, 1,421,000 kilograms; cotton sheeting, 6,586,000 meters; paper, 1,291 metric tons; coal briquettes, 17,534 metric tons; cement, 3,552 metric tons; and rubber shoes, 2,717,127 pairs.

Although the Law for the Disposition of Vested Property was passed by the National Assembly and promulgated by the President, sales under the measure have not as yet been initiated.

Finance

The principal developments in Government finance during December include: (1) Continued Government deficit spending; (2) the National Assembly's authorization of a 10,000,000,000 won National Defense Bond issue; and (3) an agreed increase in the counterpart fund rate to 500 won to US\$1 for November and 600 won to US\$1 for December.

The anticipated early completion of the Government's rice purchase may give some relief to the seasonal aspect of strong inflationary trends, but the financial situation continues to deteriorate, chiefly as a result of the Government policy of deficit spending and the expansion of bank credit to Government agencies and private borrowers. Government disbursements of 4,446,000,000 won exceeded Government receipts by 2,341,000,000 won from December 1 to December 25, 1949. The deterioration in the Government's fiscal position is reflected in its overdraft which, as of December 25, amounted to 86,358,000,000 won, exclusive of borrowings for counterpart deposits and borrowings not expended.

On December 2, the National Assembly authorized a 10,000,000,000 won National Defense Bond issue for security-force expenses. Of this Bond issue, 4,000,000,000 won will be offered for sale to the public and 6,000,000,000 won will be taken by the Government's financial institutions for public sale after the original 4,000,000,000-won block will have been absorbed. In view of the deteriorating financial situation, it would appear that the non-public subscription may probably be financed by overdraft and the sale to the public may involve an element of compulsion. This development is significant, however, since it is the first attempt of the Republic to raise funds through the sale of bonds.

Currency in circulation increased from 67,100,000,000 won on November 20 to 74,100,000,000 won on December 28, chiefly as a result of deficit spending for rice purchases. Reserves in the Bank of Korea and its branches fell to a critically low level in December, but the situation was improved somewhat by the institution of currency rationing controls, increased use of checks, and increased production of 100-won bank-notes.

Economic Developments in Thailand

Commercial and economic interest in Thailand during last autumn was centered primarily in financial developments following the devaluation of the baht on September 26, 1949, at which time Thailand fixed its exchange rates at 12.50 baht to the United States dollar and 35 baht to the pound as compared with the previous rates of 10 baht to the dollar and 40 baht to the pound. That the devaluation policy had not been unanimously agreed upon by all Government officials was evidenced by the resignation of the Minister of Finance.

To strengthen the baht, the Thai Government announced that US\$20,000,000 worth of gold bullion was being purchased in the United States as an addition to the gold reserve; unofficially it is reported that further gold acquisitions, estimated at between US\$14,000,000 and US\$20,000,000, are projected. On October 11, 1949, the Ministry of Foreign Affairs announced that the United Kingdom had approved in prin-

Foreign Exchange

The practice of effecting foreign-exchange transfers for commercial account at mutually agreed prices through the Korean Foreign Exchange Bank has been discontinued under instructions from the Ministry of Finance. These transfers have been taking place at a rate in the neighborhood of 2,100 won to US\$1. With the closing of the transfer market, private holders of dollars may make sales at the auction rate or they may resort to the black market in which the rate is about 3,000 won to US\$1 and still rising.

Foreign Trade

Total imports in November (including those on Government and private levels) were valued at US\$9,126,000, of which \$6,095,000 were on a Government level and procured with United States appropriated funds, \$642,000 were procured with Korean funds on a Government level, and \$2,389,000 were handled on a private level. Imports procured with other than United States appropriated funds consisted chiefly of yarn and thread, paper products, and chemicals and drugs. Total exports, on the other hand, were valued at \$1,110,000 for the month and consisted chiefly of agricultural and marine products and minerals.

The recommendations of the Korea-Japan trade review conference held in October 1949 were approved by the Supreme Commander for the Allied Powers on behalf of Japan on December 10, 1949, and were made effective in Korea on December 25, 1949. Negotiations on the Korean sale of 100,000 metric tons of rice to Japan are still continuing, Japan having made an original offer of \$130 per metric ton and Korea having submitted a counter offer of \$160 per ton. The sale may be consummated at a unit price of \$140 per ton.

ciple the release of some £3,000,000 in blocked Thai accounts; simultaneously, it was announced that the Thai Government has paid about £1,800,000 thus far against British personal prejudice war claims. The baht weakened slightly in the free market during October. On September 29, the buying rate for United States dollars was 21.35 baht and the selling rate was 21.65 baht; on November 3, the same rates were quoted at 21.78 baht and 21.98 baht, respectively.

To stimulate export trade, the Ministry of Communications announced its renewed interest in the acquisition of a dredge for the removal of the Chao Phraya bar, and also confirmed reports that the Thai Royal Air Force had invited competitive bids for a new landing strip to be constructed at the Don Muang airport. The Ministry of Commerce announced that it was engaged in drafting a new law to control the quality of exported commodities and is now undertaking to control by license the export of yang woods. Because of strong opposition, the Government rescinded its increase in export rice prices from £44 per metric ton to £49.5 per metric ton. Soon after the announcement of the anticipated arrival of a new SCAP trade mission, coming to negotiate a new Thai-SCAP trade agreement, a further official report was made that the Thai Government is considering a new trade pact with Western Germany.

In transportation, attention was focused on the entry of a new air company, the Scandinavian Airlines System, and on Thai negotiations with Norway, Sweden, Denmark, France, India, and the Philippines for new civil air agreements.

The first two members of a three-man United States Geological Survey Mission reached Bangkok in October;

their arrival was followed by an official report that field work would stress gold and fuel reserves and would be reflected by a review of Thai mining laws with a view toward a simplified mining code designed to attract foreign capital.

Preliminary statistics of tin-ore exports to the United States indicate that approximately 900 metric tons having an estimated value of \$1,286,653 were shipped during October, and that the cumulative total for the period January through October is 8,916 metric tons valued at \$5,875,116. Latest available rice estimates placed October exports at 35,000 metric tons and November shipments, 60,000 tons. Official sources estimate that the 1950 rice exportable surplus may be as low as 800,000 metric tons. During September export licenses were issued for the shipment of approximately 857 metric tons of rubber to the United States. Secondary exports to the United States during October totalled \$1,305,791, including \$570,419 in reexports; details of these exports are shown in the following table:

(In thousand US\$)		January- October 1949
Item		
Precious and semiprecious stones	2,411	
Pepper	1,018	
Kapok	181	
Shellac	752	
Seedlac	2,583	
Gum damar	50	
Tin residue	55	
Wolfram ore	746	
Teak	144	
Tapioca	25	
Hides and skins	1,102	
Miscellaneous	301	
Total	9,368	

Economic Developments in Burma

(Report for November)

The adverse economic trend in Burma gained in significance at the end of last year. Although the Government's reported military victories against the several groups of insurgents are ultimately expected to contribute to the general improvement of the country's economy, present indications are that the economic deterioration of the country probably will continue unabated and in fact be aggravated in the short term.

During November Burma shipped 45,319 long tons of rice and 3,661 tons of bran, making a total of 1,138,889 tons of rice and 30,502 tons of bran shipped during the period of January-November 1949. Inasmuch as December rice exports are not expected to exceed 50,000 tons, Burma's aggregate shipments for the year probably will be 60,000 tons short of earlier estimates of availability.

The first rice forecasts for 1949-50 were disappointing, though not unexpected. The sown area likely to mature was estimated at 7,666,300 acres, com-

pared with 8,763,800 acres during the year just completed. Surplus rice available for export was estimated at only 850,000 long tons, 68 percent of Burma's export commitments for 1949.

Mining and forestry operations remain at an almost complete standstill. Mine operators have been forced to cease operations because of the lack of transport to move the extracted ore from the mines and the continual harassment by insurgents, who have been seizing the minerals brought above ground and reselling them to the operators at a sizable profit. The timber industry has suffered from substantially the same conditions, complicated by the uncertainty surrounding the Government's plans for nationalizing all phases of the industry. Nearly all the mills are idle, and the larger firms are transferring important personnel to areas outside of Burma, such as Tanganyika, Borneo, and Thailand.

Uncertainty still prevails in the petroleum areas despite the Prime Minister's pronouncement that the Government was planning to "purchase

a one-third share of the Burmah Oil Company" and his sharp denial of a report that the Government would seize control by force and without compensation. Oil production early in December was averaging 500 barrels a day. The jurisdictional dispute between the competing oil-field unions and the definition of the Government's role in management are still unresolved and probably will not be clarified until the recently appointed "Ad Hoc Oilfields Enquiry Committee" completes its investigation and submits its recommendations.

Building activity is virtually at a standstill, except for the construction of basha huts used to house refugees from the war areas. Building costs are extremely high, materials are not readily available, and capital for new construction is becoming increasingly difficult to obtain.

The wholesale and retail trade was confused and activity retarded as a result of the imposition of a multiple-point sales tax November 1. Retail establishments remained closed for several days to adjust prices and await Government clarification of the provisions of the tax. Consumer expenditures declined, and, taking cognizance of widespread criticism, Government officials promised to restudy the measure and called for suggestions for modification from interested persons or groups. On November 30, 1949, the Government extended the list of items exempted from the tax and included essential locally produced consumer goods, such changes being made retroactive to the first of the month. Final consideration has not yet been given to all the suggestions made, but it is expected that after the first of the year the tax will be converted to a single point levy on imported consumer goods.

Official figures show there was a slight decrease during November in the cost of living for the low-income groups. The cost-of-living index prepared by the Department of Labour, based "on the estimated cost, on an austerity basis, of one month's supply of essential foodstuffs and commodities for the principal group of work people in Rangoon, calculated on a family basis of three units," stood at 356 as compared with 373 in October and 410 in September (1941=100). An index is not maintained for middle-income groups, but Labour Department officials believe that the cost of living for this group rose during November as a result of higher prices for imported goods caused by devaluation and the imposition of the multiple-point sales tax.

With the assistance of the armed forces, transportation services improved somewhat during the month. Armed convoys opened several of the riverine routes in the Delta area, making it possible to move large rice shipments from the Henzada area to the port cities of Bassein and Rangoon. With the recapture of land areas north of Mandalay, the Burma Railways reopened traffic between Sagaing and Myitkina. The Rangoon-Pegu line is expected to be opened shortly with the Government troops' recapture of Htongyi.

Services will not be adequate for some time, however, since there is not sufficient military protection to assure safe and continuous traffic over these routes.

Installation of equipment in the State Spinning and Weaving Mill is proceeding satisfactorily. Some difficulties have been experienced in handling the equipment and in procuring properly trained or experienced personnel. An American plant manager arrived during November to assist in the organization of the plant, and arrangements are being made to send some personnel to the United States for on-the-job training. According to the best available information, the plant should be ready for operation by the end of 1950, or at the latest, early in 1951.

Burmese officials concluded exploratory discussions with a visiting SCAP trade delegation on future trade arrangements between Burma and Japan. Tentative agreement was reached on the formulation of a barter arrangement similar to the unsigned Burma-Japan Trade Agreement of 1949. Preliminary proposals call for the exchange of Burmese foodstuffs and raw materials such as rice, teak, and minerals for Japanese cotton yarn, machinery, and miscellaneous equipment for cottage industries. The scope of the agreement will depend largely on Burma's ability to supply large quantities of teak and minerals. A Burmese trade delegation was scheduled to leave for Tokyo to complete final trade arrangements.

The Burmese Government submitted for the comments and suggestions of interested persons proposals governing the control and operation of mineral concessions. The regulations when promulgated may be immediately applicable to all existing mineral concessions and incorporated as minimum provisions for all new leases and renewals. Briefly, the proposed regulations give the President the right at all times to (a) acquire an interest in a mineral concession unless the license or lease specifically bars such action; (b) require that Burmese citizens and companies be permitted to obtain up to a 40 percent share in all classes of capital stocks and debentures issued subsequent to the promulgation of these regulations; (c) require concession holders to employ Burmese citizens at all levels and in all branches of their organization; (d) require the deletion from any existing leases of stipulations restricting rights in the company to persons other than Burmese citizens; (e) "require the lessee to undertake further processing, refining, and other treatment of minerals in the Union of Burma as may appear necessary or desirable in the interest of national security or of general industrial development."

(Report for December)

Widespread lawlessness and disorder continued to shackle Burma's economy during December. The Government's third forecast for the cotton and peanut crops confirmed previous pessimistic predictions of reduced cultivation for the 1949-50 crop year. On the basis of district reports actually received, the cotton area likely to mature has

been estimated at 140,050 acres, which is 37 percent of the average prewar (1935-41) matured acreage, and 3 percent less than the area actually matured in 1948-49. The peanut forecast estimates the matured area at 363,170 acres, or 90 percent of the prewar acreage and 7 percent less than the final peanut forecast for the 1948-49 crop year.

Reflecting in part the seasonal falling off of rice exports, Burma's foreign trade declined during November and December and showed a trade deficit. As usual since the war, rice represented most of the country's export shipments, accounting for 73 percent of the total in November, compared with 91 percent in October. During December, Burma shipped 40,527 long tons of rice and 7,898 long tons of bran, resulting in total shipments for 1949 of 1,179,146 long tons of rice and 33,400 long tons of bran. The annual total for rice was approximately 80,000 long tons less than Burma's 1949 allocation commitments but actually exceeded the most optimistic earlier prediction.

The State Agricultural Marketing Board (SAMB) published its proposed price schedule for the 1950 crop, providing for an average price increase of £2 per long ton above the £38 per long ton received for most of the 1949 shipments. Thus far, SAMB has not received any firm commitment or indication of acceptance from any of the important purchasing countries, except for Pakistan, with the result that the rice export picture for 1950 is somewhat confused.

A trade delegation headed by U Thet Su, the Chairman of the SAMB, was appointed to negotiate a Burma-Japan trade agreement for 1950. The delegation has been given the authority to formally sign an agreement in Tokyo. The trade arrangement must provide for the sale to Japan of a minimum of 100,000 tons of rice. The 1949 agreement negotiated in Tokyo in January of that year was not formally signed in Rangoon.

Despite administrative adjustments made early in the month, the multiple point general sales tax continued to impede internal trade. The decline in sales volume, principally in consumer durable goods, has been reported to be as much as 50 percent. The general consensus of business groups was that the trade loss was attributable to the fact that the tax has priced many items out of the reach of a large number of regular consumers, and that some potential buyers were delaying all but the most essential purchases on the assumption that the tax would be radically revised during the new legislative session scheduled to begin January 31, 1950.

The December cost-of-living index of basic expenses for low-income Burmese groups continued to reflect the decline which began several months ago. The index for December stood at 347 (1941=100) as compared with 356 in November, 373 in October, and 410 in September. An index is not maintained for middle-income groups, but a spot check of retail prices for goods normally used by this section of

Economic Developments in Indonesia

The successful conclusion of the Round Table Conference at The Hague on November 2, 1949, brought to an end more than 3 years of political dispute between Indonesia and the Netherlands but still leaves unsolved the economic problems with which the country has been faced since the latter part of 1945.

Shortages of rice, textiles, and other consumer goods continued to increase inflationary pressures on the domestic price level which have not been offset by increased production and exports. It is apparent from the export statistics for September and October that some products are being withheld from the market for speculative and hoarding purposes because of uncertainty as to the future of the Indonesian currency. With the resumption of ECA aid early in November and allocation of US\$37,500,000 for the purchase of rice, cotton cloth, yarn, and other products,

the population showed a definite increase, which the Office of the Director of Labor estimates to be at least 6 or 7 percent above the September 1949 level.

On December 27, 1949, the Government promulgated the so-called "Additional Rules for Prospecting Licenses and Mining Leases," a draft of which had been previously circularized among interested parties for comments and suggestions. Although practically all of the provisions contained in the draft proposals were retained in the finalized version, in almost every case additional provisos were inserted which provided a greater degree of flexibility with respect to enforcement of the individual provisions. The Burmese Government, apparently concerned about the criticism directed against its original proposals and the possible adverse effect on potential foreign investors, incorporated modifications in practically every instance.

A considerable amount of uncertainty continued in the mineral and petroleum fields. The lease of the Burma Corporation, which covers important mineral concessions in Burma, was due to expire on December 31, 1949, but the Government had still not indicated its position as to the conditions and terms for extending the concession. The Burmah Oil Co., on the other hand, which has been operating at a heavy loss since the war as a result of widespread damage sustained during the Burma campaigns of World War II and the subsequent insurrection, reported that repeated and apparently coordinated insurgent attacks were being made on its properties in central Burma which, if permitted to continue, would further undermine the company's position. On January 8, 1950, the British Foreign Office announced that the British Government guarantees given early in 1949 to the Burmah Oil Co., indemnifying the company against losses arising out of expenditure on rehabilitation in Burma, would be discontinued.

immediate procurement of additional supplies will be of considerable aid in combating further price increases.

A large number of strikes took place during November, mostly for wage increases. These strikes involved postmen, retail workers, textile, shipping, motion-picture employees, and others. The strikes were unorganized and without union leadership, and were undoubtedly due to the increased pressure of higher living costs. In the native cigarette industry there was a temporary shut-down by management in protest against the increase in excise taxes last September.

The proposed Inter-Indonesian Economic Congress of commercial and industrial leaders and businessmen, originally scheduled for November 15, was postponed until December 2.

Agriculture

In the former Federal area of Java and Madura, which contains 55 percent of the total irrigated rice area and 40 percent of the dry rice area, a recent forecast gives the total production of irrigated and dry rice as 4,281,700 metric tons of paddy, as compared with 4,446,500 in the same area in 1937. The estimate was based on the harvest returns through August, which practically completes the west monsoon irrigated rice season. The yield per hectare of irrigated rice was 2,296 kilograms in 1949 as compared with 2,254 kilograms in 1937.

Production of export crops during September showed a slight decline from those in August, with the exception of palm oil and palm kernels, which registered small increases.

Production of major products in September (January-September figures in parentheses) were as follows, in metric tons: Estate rubber, 14,445 (124,436); tea, 2,008 (18,146); cinchona bark, 713 (5,090); palm oil, 13,439 (83,351); palm kernels, 2,298 (20,260); cocoa, 53 (634); and hard fibers, 215 (1,772). Wholesale-price quotations on the Batavia market either maintained the high level reached in September and October or rose to new peaks during November, indicating a continuing adjustment following devaluation in September. The greatest price increase was shown in Borneo white pepper, which rose to 40 guilders per kilogram at the end of October.

Cost-of-Living

Food prices in Jakarta and other cities of Indonesia have been rising steadily since the low point of the year 1949 was registered in May. The principal increase has been in rice, which rose from 70 guilder cents per liter (800 grams), average milled quality, to 1 guilder at the end of November. The cost-of-living index, based on free-market prices of 19 domestic food products, in Jakarta rose from 1,210 in September to 1,255 in October.

Retail gasoline prices were increased, effective November 1, 1949, from 46½ guilder cents per liter to 49 cents. Corresponding increases in wholesale prices of gasoline and other petroleum products also became effective on that date.

Commercial Developments in the Philippines

The traditional free economy of the Philippines was brought under Government control with the imposition during the last month of 1949 of drastic import and exchange controls. Such measures became necessary because of the increasing negative balance of payments, heavy Government deficits, and an incipient flight of capital.

Under Executive order 295, issued December 1, a number of new items were added to the list of controlled imports, while much more severe percentage cuts were imposed on imports previously under control. Thus, the allowable imports in 1950 of certain products, expressed in percentages of imports in 1948, the newly established base year, are: Passenger automobiles, 20; soap, 10; fabrics, 25, except nylon, silk, and khaki, the quota for which is 5 percent; cigarettes, 20; electric refrigerators, 50; and chewing gum, 5 percent.

Particular criticism was directed against the control of such necessary foodstuffs as flour, corned beef, and sardines, and of items used by local manufacturing plants. By Executive order 297, issued December 24, some of the quotas, particularly for food products, were increased, and provision was made to exempt from control materials needed for local manufacturing. A few new items, however, were added to the list of controlled commodities.

The prospect of rising prices caused considerable concern, and several of the larger department stores announced that they would hold the line. The cost of grocery products has begun to rise, however, and it is believed that prices generally may advance sharply

a few months hence when existing stocks are greatly reduced. The Government agency, Philippine Relief and Trade Rehabilitation Administration, has brought to court a number of petty violators of price ceilings, but apparently without further legislation it is powerless to enforce its regulations. PRATRA is now circularizing importers for data on their next 6 months' requirements of commodities the prices of which it is hoped to control.

Applications for import licenses are decided upon by a three-man committee composed of the Executive Officer of the Import Control Board, a representative of the Department of Finance, and a representative of the Central Bank. The committee is advised by one representative each from the American, Philippine, and Chinese Chambers of Commerce.

The basis for exchange controls was laid by the passage on June 15, 1948, of Republic Act 265, which established the Central Bank of the Philippines, defined its powers in the administration of the monetary and banking system, and amended the pertinent provisions of the Administrative Code with respect to the currency and the Bureau of Banking. In its circular 19 issued November 17, 1949, the Central Bank placed restrictions on the use of credit in authorizations to purchase certain imports, and finally on December 9, the bank's circular 20 announced the imposition of controls over all dealings in gold and foreign exchange.

The immediate effect of circular 20 was to paralyze incoming shipments. Subsequent rulings were issued by the Central Bank in clarification of the requirements of the exchange-control regulations, and by the end of the year the congestion in Manila harbor was somewhat relieved.

Foreign Trade

September imports amounted to 281,695 tons valued at 134,035,000 guilders (US\$50,933,000) (US\$1=2.625 guilders in September and 3.80 guilders in October) and exports, 623,937 metric tons valued at 124,613,000 guilders (US\$47,353,000). October exports showed a sharp decline from September to 325,809 metric tons, valued at 79,251,000 guilders (US\$20,856,000), principally because of the decline in petroleum shipments from 36,800,000 guilders in September to 3,300,000 guilders in October. Most other products, however, helped in accounting for the total drop in value. October import statistics are not yet available.

Production of Minerals

Crude-petroleum production in September totaled 3,693,048 barrels, compared with 3,925,665 barrels in August. Refinery output increased from 4,131,180 barrels in August to 4,286,593 barrels in September. Principal refinery products in September were as follows: Gasoline, 1,525,976 barrels; fuel oil, 1,267,378; Diesel oil, 912,855; kerosene, 422,969; and aviation gasoline, 98,319. Bauxite exports in October totaled 58,700 tons, as compared with 41,595 metric tons in September. Exports of bauxite went only to the United States.

Finance

Bank notes in circulation November 23 amounted to 1,867,710,176 guilders as compared with 1,805,986,763 guilders on October 19. The black-market rate of the guilder in relation to the dollar continued to reflect the feeling of uneasiness now current, stemming from the anticipation that a new Indonesian currency will be introduced after the transfer of sovereignty involving devaluation of the Netherlands Indies guilder. Both Dutch and Indonesian authorities have expressed the opinion that a new currency and currency reform are inevitable with the establishment of a new Government. During the month, the guilder was quoted in the freemarket from 24 guilders to 28 guilders to the dollar. On November 28, the free-market rate for gold was quoted at 41.75 guilders per gram, as compared with 38.60 guilders on October 25.

The Secretary General of the Department of Finance stated in a recent meeting of Government officials that the measures taken to control inflation, including increases in excise taxes, has brought about an appreciable decrease in the anticipated budget deficit for 1949.

TRADE & EXCHANGE CONTROLS IN THE FAR EAST

GENERAL ANALYSIS OF CONTROLS

(1) IMPORT CONTROL

Import Control is in force in all the countries of the Far East. In Thailand and the Philippines it was introduced towards the end of 1948; elsewhere it was of earlier origin, mostly as a war-time measure since continued. The main features of import control are as follows:—

(a) **Prohibited Imports:** In most countries of the Far East the import of certain listed commodities is prohibited as non-essentials. Exceptions are Thailand and the Philippines, where the non-essential imports are regulated on a quota basis. As a rule, in all the countries, imports of arms and ammunition and narcotics are either prohibited or subject to special regulations.

(b) **Licensed Imports:** The import licence is either general or individual; i.e. certain commodities listed in a schedule are permitted without requiring individual licence, being covered by a general licence. In most cases, these are with reference to certain currency sources. An Open General Licence is in force to a restricted extent in Burma. In Hongkong a distinction is drawn between imports which require individual licence and those covered by a general licence, in relation to specified sources of origin of the goods. In effect, imports under a general licence are practically licence-free. The degree to which a particular method of licensing is employed in a country is determined largely by the extent of control desired and administrative convenience. In Thailand where import control is limited to a few non-essential articles, individual licences are required for imports.

Principles of Licensing

In practice, one or more of the following criteria are employed:— (1) Currency of Origin. (2) Degree of Essentiality. (3) Quotas and Monetary ceilings for individual import. (4) Special commitments or obligations. (5) International Allocations.

In the Sterling Area countries, viz, Burma, Malayan Federation, Singapore and Hongkong, differentiation is made between imports from the Sterling Area and soft currency sources on the one hand and imports from hard currency on the other, the former being licensed more freely than the latter. In Indochina, imports from the franc area are permitted free, while those from all other sources, including the Sterling Area, are subject to restriction. In the Philippines, which is on a dollar basis, the currency of origin of imports is immaterial in licensing, while in Thailand the limited import control does not differentiate between the currencies of origin of imports. Nationalist China, suffering from an acute shortage of foreign exchange, licenses imports from all sources, regardless of the hardness of the currency.

In the prevailing currency affiliations of the countries in the Far East, there are varied definitions or classifications of hard and soft currencies for import control purposes. In Sterling area countries the dollar area is defined to comprise all the countries in the continents of North, Central and South America and the Philippines, with certain exceptions such as Brazil, Uruguay, Chile, and Peru. Other hard currency countries are Bizonia (Germany), Belgium and Belgian Colonies, Japan, Switzerland and Portugal and its Colonies. The Malayan Federation and Singapore classify the U.S.S.R. also as a hard currency country. The inclusion or omission of a particular country from the hard currency list is done on account of the local circumstances of the importing country.

In Indonesia, hard currency area is defined as comprising the United States, Canada, Belgium, Japan, Switzerland and Portugal. Regarding imports of textiles into Indonesia, a special regulation, effective March 1949, permits such imports only from the Netherlands and what are called the "treaty" countries, viz, France, Belgium, Spain, Bizonia, Switzerland, Italy, Czechoslovakia and Hungary. For Indochina, practically all currencies except those of the franc area, are hard.

The significance of essentiality of import varies from one country to another according to local conditions and state of foreign exchange. A country suffering from a difficult balance of payments position adopts more rigorous standards of essentiality than the one which does not. As a rule, imports of luxuries and non-essentials are prohibited or licensed. In respect of consumer goods, a country which does not produce them itself regards their import as essential, while a more advanced country which has developed its consumer goods industries, restricts such imports. In Thailand, for example, import control defines only a small list of commodities as luxuries. In the Philippines, the list is more comprehensive.

Quotas

The quota method in controlling imports is in use, in one form or another, in almost all the countries of the Far East — Burma, Nationalist China, Indochina, Indonesia, Philippines, the Malayan Federation and Hongkong. In Thailand quotas are employed, if the need arises.

The quota takes one or more of these forms: — (a) Fixing the quantitative quota for the import of specified commodities over a stated period. (b) Fixing the monetary values of total permitted imports of specified commodities over a stated period. (c) Allocation of the quantitative or monetary quotas among the importers. (d) Allocation of the quantitative or monetary quotas among the countries of origin of imports.

In practice, a combination of two or more of these methods is found in use, with considerable variation regarding

the principles adopted in determining the quotas.

Often where it is found difficult to determine or publish quantitative quotas for articles of import, the authorities license imports up to what they regard as adequate quantities on the basis of the merits of individual application. In cases in which the quantitative or monetary quotas have been fixed, the allocation of the quota among the importers is usually done with reference to their volume of imports of the commodity in question during a chosen base period. Usually, a proportion of the quota is reserved for new entrants. In the Philippine import control, the total import quotas are fixed in accordance with a schedule of percentage reductions prescribed for several commodities from a base period. In Indonesia, the quota allocation among the importers is known as the 'historical rights' method. In China, the quota and non-quota imports are distinguished, and the quantity and type of quota imports once drawn up and published, are allocated among the individual consumers, factories, and importers. In the Malayan Federation and Singapore, the total import quota of a commodity is apportioned among the countries of origin as a rule on the basis of prewar figures. In India quotas among importers are allocated on the basis of their imports during a base period.

Although the quota system is in use in almost all the countries it is not of the same importance or extent in all of them. The number of imports subject to quota differs widely. In many instances allocation of limited import quantities among importers is done by means of administrative discretion on the merits of individual application rather than strictly with reference to base period imports. The quota method becomes essential in the case of an import regarding which the quantities applied for are far larger than permissible and consequently give rise to competition among the applicants. In the Philippines, for instance, practically all the controlled imports are allocated on a quota basis.

Special Commitments

A country which has entered into bilateral trade arrangements and assumed the obligation to import agreed quantities of certain commodities, usually undertakes to issue licences for the import of those commodities up to the amounts specified. This consideration is quite important in the case of Indochina and Indonesia, which have entered into a considerable number of such trade arrangements. Licences are issued for the import of consumer goods which otherwise may not be permitted to be imported from other sources or for the import of capital equipment and industrial materials negotiated under the agreements.

International Allocations

Commodities in short supply, such as rice and tin, which are subject to international allocation, are, where their import into the country is not on government account, licensed up to the quantities allocated to the country.

(II) EXPORT CONTROL

Prohibited Exports

Export control is in force in all the countries of the region. In nearly every country there is a list of prohibited exports comprising commodities essential for home consumption. In the case of food deficit countries, food grains and food products are prohibited from export. In countries such as the Philippines, Burma, etc. the export of specified manufactured articles and the re-export of manufactured articles of foreign origin are prohibited. As a rule these total prohibitions are held to a minimum. Bullion exports are generally banned.

Licensed Exports

Excepting those commodities which can be exported licence free, all other exports are subject to individual licence. Unlike in the case of imports, there is in use no open general licence for exports. In some countries, only some, in others more articles are subject to licensing, although some form of licensing or control over exports is found essential in connection with exchange control.

Principles of Licensing

The following are the objectives of export control:—(1) Obtaining the proceeds of foreign-exchange from exports. (2) Conserving adequate supplies for home consumption. (3) Increasing exports to hard currency countries. (4) Enforcing standards of quality and grading. (5) Fulfilling export commitments in trade agreements. (6) Fulfilling commitments under international allocations.

The Philippines is an exception, where export licensing is unrelated to the acquisition of the foreign exchange proceeds of exports, or the maximization of hard currency earnings; on the other hand all its exports are subject to licensing and some of its exports are subject to certification regarding grading and quality. In the Sterling Area countries generally, emphasis is laid on exports to hard currency countries, and to this end exports thereto of specified commodities are either licensed freely or are free of licence. In Indochina, exports to the territories of the French Union are, with certain exceptions exempt from licence. In Thailand, export licensing applies to those commodities which are subject either to international allocation or to surrender of a proportion of foreign exchange proceeds, or to others, the export of which is regulated in relation to home requirements. Exports of rice, tin, oils and fats and rubber in the producing countries of the region, viz, Burma, Thailand, the Malayan Federation and Singapore, the Philippines, and Indonesia, are regulated in accordance with international allocations or inter-governmental or bulk sale arrangements, both as regards quality and destination. Indonesia and Indochina, who have accepted obligations to export specified quantities of stated commodities under bilateral agreements, issue export licences up to the quantities agreed to in relation to the countries concerned.

Export Quotas

The quota is in use in one form or other in nearly all the countries of the region. In several cases, the quotas are quantitative quotas of exports subject to international allocations or inter-governmental agreements.

The following other types of quota prevailing may be mentioned: According to the U.S. — Philippine Trade Agreement of 1945, absolute maximum quantitative quotas of export of certain commodities to the U.S.A. are operative. In the Philippines producers of certain types of timber are permitted to export up to 50 per cent. of their production, and in Thailand, exports of certain coconut products are limited to a proportion of the mill's output. Quotas are, however, not of the same extent or complexity in all the countries in which they are employed. They are relatively simple in the Philippines and Thailand; so are the internationally determined quotas, which simply state the quantities against the buying countries.

In Burma, the quotas of principal exports are allocated among the principal trading communities, European, Indian, Chinese, and Burman as percentages of the total, and the authorized commercial organizations or chambers of commerce of these communities facilitate the issue of licences by making recommendations regarding applications. "Screening" Committees of these bodies are in existence for this purpose.

(III) EXCHANGE CONTROL

Exchange control is in force in all the countries of the Far East. The prevailing system, except in Thailand and Hongkong which permit a free market in foreign exchange transactions while retaining control of limited scope, is one of central control; i.e., all foreign exchange transactions — both receipts and expenditures are brought under the centralised control of the central bank or other exchange control authority. Usually the central bank or the exchange controller operates through the 'appointed' or 'scheduled' banks authorised to transact foreign exchange business, on such conditions as are laid down from time to time.

In most countries of the region, all proceeds from exports are to be surrendered to the exchange control. There are exemptions and special features in some countries. In Thailand, the foreign exchange proceeds of the exports of only four commodities have to be surrendered to the Bank of Thailand, in specified percentages; the exchange proceeds of other exports are free. In Indochina, a limited amount of barter trade is permitted, especially with Hongkong, under which the proceeds of exports are not surrendered to the exchange control, but imports are arranged against exports; this is also the case in Indonesia which permits limited barter transactions with Singapore and the Malayan Federation. Hongkong is a special case, where export exchange control is adapted to its entrepot trade. In Hongkong, exports of specified commodities to the U.S.A. and its associated territories are subject to partial surrender of foreign exchange. China exports

are on a special footing; exports to Sterling Area countries are free from exchange surrender. The proceeds of all other exports are to be surrendered to the exchange control. In Nationalist China all export proceeds are surrendered in exchange for 'Foreign Exchange clearance certificates' which are utilized for financing imports subject to exchange authorisation. Such certificates might be used by their owners or traded in at prices agreed upon with buyers.

Regarding import exchange control, the situation is more or less similar to export exchange control. In several countries, the exchange control authority gives the foreign exchange licence on the basis of import licences granted by the import control authority. Where limited barter is permitted, as in Indochina and Indonesia, imports under such barter are free from exchange licensing. In Thailand foreign exchange at official rates is not made available for any but essential imports on government account and approved expenses of students abroad, all commercial imports being financed out of foreign exchange bought in the free market. The position of Hongkong is again peculiar. Imports into Hongkong from the Sterling Area are licence free. Imports from China, Korea, and Macao and imports financed in U.S. dollars are free, provided they are financed by the importer out of his own exchange. Otherwise imports from the non-Sterling Area countries must be financed through the authorised banks, and foreign exchange at official rates will be given only for essential imports from hard currency sources.

Regarding exchange control on other transactions, such as the payment of interest and dividends, capital transfers, etc, the exchange control in Burma and the Malayan Federation and Singapore is on the lines of control in other parts of the Sterling Area; in practice remittances on current account are licensed and capital transfers are subject to approval. In Thailand there are no restrictions on capital transfers or other current remittances inward or outward. In China, all inward remittances are subject to surrender in exchange for Foreign Exchange Clearance Certificates, and all outward remittances are subject to licence, those of foreign businessmen in China being limited to 6 per cent per annum on their capital invested in China. In Indochina and Indonesia also, all such transactions are subject to control.

BURMA

Import Control

With effect from 30 September 1947, an extended system of import control has been in force, by which all imports including those from the Sterling Area with certain exceptions listed in a modified Open General Licence, are subject to import and exchange licences irrespective of the country of origin. These rigorous restrictions were imposed on account of the foreign exchange shortage and the need to balance imports and exports. Under the import control, goods are classified under three classes:— (A) Goods which will

ordinarily be licensed freely; (B) Goods which will be licensed on quota or on merits; (C) Goods which will not be licensed at all.

List (A) consists of essential imports for which licences are given with due regard to available stocks in the country and availabilities abroad; List (B) of semi-essentials, and (C) of non-essentials and luxuries.

Under Open General Licence, imports of mineral oils, motor spirit, and lubricating oil and certain other commodities essential to the rehabilitation of the country were permitted to be imported without licence. Later the Open General Licence List was modified so as to include a few other commodities—books and periodicals, brass locks, and opium (from Empire countries). In February 1948, Control was extended to imports by land into Burma from India, China and Thailand, hitherto exempt.

The policy of the Government is to relax import control as exports recover and the foreign exchange position improves.

In April 1949, import control was relaxed so as to permit the import of certain luxury goods, hitherto prohibited, such as silk and woollen materials, clocks and watches, pens, perfumery, toys, etc. in addition to freer licensing of certain essential imports with the object of keeping down commodity prices. With effect from April, import licences were issued freely to applicants for the import of any goods into Burma without foreign exchange remittance. Under these licences Indian merchants in Burma are expected to finance imports from India out of their own resources without asking for foreign exchange from the Burma Government.

With effect from 1 June 1949, a licence fee was levied at the rate of 2 per cent of the value of each Import Licence issued by the Ministry of Commerce and Supply, in addition to a Revalidation fee at the rate of 2 per cent of the value of each import licence. Export licences are not subject to the licence fee. All export and import licences were also to pay a registration fee of Rs. 1-8 for each licence applied for regardless of the value of the licence.

Export Control

All exports, with few exceptions, are under control; goods are divided into four categories: (A) Goods for which no export licences will be issued; (B) Exports controlled by the Commerce and Supply Department, to whom applications for licence should be submitted; (C) Items controlled by the Timber Project Board; applications for licence should be submitted to that Board; (D) Items controlled by the Agricultural Projects Board; applications for licence should be submitted to that Board.

List (A) comprises manufactured commodities processed outside Burma, textiles, steel, cattle, etc.; (B) mostly meat products, fish, and hides and skins; (C) timber of all kinds, and (D) food-stuffs, including cereals and pulses. Licence to export is granted in respect

of all metals except iron and steel, brass, copper and aluminium. Rice exports are licensed in accordance with international allocations.

Exchange Control

The Union Bank of Burma is responsible for the execution of exchange control in Burma. In common with several other members of the Sterling Area, Burmese exchange control legislation brings under control all transactions in foreign exchange, including those in bullion and securities, the actual extent of control being determined by the state of balance of payments. All foreign exchange proceeds from exchange, and all imports, including those from the Sterling Area, are subject to exchange licence. By agreement with the U.K. the government of Burma obtains an allocation of hard currency from the Sterling Area Dollar Pool (£2 million, equivalent for the period July to December 1948) in addition to its own earning of hard currency. With a worsening in the foreign exchange position, exchange control was generally tightened during the latter half of 1948; the amount of licence-free remittances to Sterling Area countries was reduced and finally prohibited in November 1948.

CHINA

Postwar trade and exchange controls were first introduced in February 1946 and were modified from time to time in the light of the rapidly changing conditions in China. For convenience the essential features of controls are stated in the two latest stages: (1) as in December, 1948 and (ii) as in June, 1949. The principal features of controls as promulgated by the Chinese Communist authorities in North and East China between March and June 1949 are summarized later.

I. As in December, 1948

Import Control.

All imports were subject to licence by the Export-Import Board. Imports were classified under the following categories, detailed lists of which were drawn up and published by the Export-Import Board after approval by the Executive Yuan: (1) Quota imports; (2) Non-Quota imports; (3) Goods the importation of which was temporarily suspended; and (4) Goods the importation of which was prohibited.

Imports under the category of quotas were, in accordance with the nature of the goods, allocated in whole or in part to industrial consumers, factories, and importers. The items and quantity of such goods were drawn up quarterly and published by the Export-Import Board, according to the actual needs of the country.

Importers were, after acquiring any of the following Foreign Exchange Clearance Certificate, still required to present their import licences to the Central Bank or its appointed banks in order to draw the foreign exchange for the stipulated purposes: (i) Foreign Exchange Clearance Certificate obtained through the surrender of the foreign

exchange proceeds from exports; (ii) Foreign Exchange Clearance Certificate obtained from overseas Chinese or other remittances; and (iii) Foreign Exchange Clearance Certificate obtained from deposits of foreign currencies or foreign exchange in accordance with Regulations Governing the Possession of Gold, Silver and/or Foreign currencies.

Export Control

All articles except those prohibited could be freely exported. The list of prohibited exports was drawn up from time to time by the Export-Import Board and published after approval by the Executive Yuan. Exporters were required to sell the foreign exchange proceeds of their exports (including re-exports) to the Central Bank of China or its appointed banks for a Foreign Exchange Clearance Certificate covering a like amount. The Central Bank or its appointed banks would duly endorse an application for export; an additional endorsement was made by the Export-Import Board after ascertaining that the value of the goods to be exported corresponded to the amount of foreign exchange surrendered. The Maritime Customs authorities, on being presented the duly certified papers and after finding them in order, would then authorise the export.

Exchange Control

Under the Exchange Control Regulations promulgated on 31st December, 1948, foreign exchange specified below was to be surrendered to the Central Bank or its appointed banks in exchange for Foreign Exchange Clearance Certificates (valid for sixty days), which should be used in all foreign exchange transactions: (1) Foreign Currencies realized from exports and re-exports; (2) Foreign exchange income of shipping and insurance firms derived from freight and insurance premiums; (3) Overseas Chinese remittances and other types of inward remittances; (4) Foreign bank notes held either by Chinese or foreign nationals in China; and (5) Deposits with the Central Bank or its appointed banks of foreign currencies or exchange in compliance with the Government's rulings.

Foreign exchange or currencies referred to in (3), (4) and (5) above might be sold to the Central Bank or its appointed banks if the holders so desired, without the necessity of exchanging for Foreign Exchange Clearance Certificate, and those referred to in (5) could also be utilized by the holders to apply for import licences. Foreign Exchange Clearance Certificates could be used by the owners or traded at prices mutually agreed upon by the seller and buyer. Certificates which had not been utilized either in whole or in part within the time limit were to be sold to the Central Bank or its appointed banks.

Foreign Exchange mentioned hereunder was paid in Foreign Exchange Clearance Certificates by the Central Bank in the amount approved: (i) Payments to cover imports and other appropriate outlays for which approval had been obtained from the Export-

Import Board. (ii) Payments to cover commission charges, freight, insurance premiums and other appropriate outlays abroad on the strength of documentary evidence; (iii) Travelling expenses by personnel sent abroad on business trips with the approval of their superior authorities; (iv) Remittances by foreign businessmen in China to their home countries of profits on investments, made after the promulgation of the present Regulations, provided they were not in excess of 6% per annum of the amount invested and were approved by the Ministry of Industry and Commerce; (v) Expenses for Chinese students who study abroad with self-provided foreign exchange and with approval of the Ministry of Education; (vi) Expenses for persons contracting serious illness and requiring treatment or hospitalisation abroad, upon approval of the Ministry of Public Health; (vii) Travelling expenses and pocket money for foreign nationals returning to their homeland or overseas Chinese returning to their domicile abroad, upon the respective approval of the Ministry of Foreign Affairs and Overseas Chinese Affairs Commission; and (viii) Other kinds of necessary outlays, upon approval of the Ministry of Finance.

To governmental agencies which were in need of foreign exchange the Central Bank sold foreign exchange at the official rate with the approval of the Executive Yuan. Governmental agencies in possession of foreign exchange were required to surrender their holdings to the Central Bank and could draw upon them with the approval of the Executive Yuan.

II. Revised Regulations (15 June, 1949)

A new set of revised export-import regulations, effective from 15 June, 1949, was promulgated by the Government of China abolishing the import licence system, and requiring exporters to surrender to the Government 20 per cent of the total value of the goods exported.

Main features are as follows:—

(1) Exports, with the exception of articles enumerated in a list, are allowable on production of export certificate. (2) Exporters are to surrender to the Central Bank or its appointed banks 20 per cent of the proceeds realized by the sale of their goods. If the values are found correct on certification, export certificate will be issued. The remaining 80 per cent of the proceeds are to be surrendered to the Central Bank or its appointed banks in exchange for deposit certificate of equal value. (3) Imports are divided into three categories: articles the importation of which is freely permitted; articles the importation of which is temporarily suspended; and articles the importation of which is prohibited. (4) Importers are to apply for the import of their cargo to the Customs on production of exchange deposit certificate. The foreign exchange required may be obtained from the Central Bank or its appointed banks on production of letter of credit (or authority to purchase) as well as exchange deposit certificate. (5) The Ministry of Finance, Ministry of Econo-

mics and the Central Bank are to appoint one representative each to form a committee. The committee is to prepare, according to supply and demand on the market, the lists of imports mentioned above. These lists are to be published from time to time as and when revised. (The Import/Export Board was abolished early in 1949). (6) Foreign exchange required for purposes other than the importation of goods, if approved by the government, may also be obtained from the Central Bank or its appointed banks on production of exchange deposit certificate. (7) Exchange deposit certificates are negotiable. (8) The Central Bank will adjust from time to time the supply and demand of exchange deposit certificates by the following procedure: When the price of exchange deposit certificates falls below 95 per cent of the market quotation, the Central Bank or its appointed banks will buy, with foreign currency, gold or silver, exchange deposit certificates without limit, at a buying price not less than 95 per cent of its market value.

Trade and Exchange Regulations in the Communist-Controlled Area of China

The North China People's Government promulgated provisional regulations governing foreign trade in the North China Area on 15 March, 1949, and provisional regulations regarding foreign exchange in the same area on 7 April, 1949. The East China Military Headquarters of the People's Liberation Army, Shanghai, issued regulations governing foreign exchange in East China on 3 June, 1949, and those regarding foreign trade on 6 June, 1949.

The principal features of the regulations governing foreign trade in North China are as follows:—All matters of foreign trade shall be administered by the Foreign Trade Control Bureau and its subsidiaries. All Chinese exporters and importers shall apply for licence from the Foreign Trade Control Bureau. Foreign firms desiring to trade will apply to the Foreign Trade Control Bureau for licence after obtaining the recommendation of the Foreign National Affairs Bureau of the People's Government. By permission, they may establish offices and appoint agencies. All contracts and agreements between Chinese traders and foreign firms are subject to approval by the Foreign Trade Control Bureau.

Exports are divided into—1. Ordinary exports, which are duty free or dutiable, and 2. Special exports which shall include—(a) goods traded in by the State-owned foreign trade enterprises, (b) gifts, samples, and daily necessities, the value of which shall not exceed \$5,000 in people's bank currency, and not intended for commercial purposes, and (c) goods prohibited from export but specially licensed for export. All exports from North China shall be exchanged for an equivalent value of imports. Alternatively, the exporter shall surrender his foreign exchange to the People's bank or its appointed banks. The Foreign Trade Control Bureau may order the exporter to exchange his exports for specified imports.

Imports are also divided into the same categories as exports; besides, there is a category of imports which is permitted with self-provided foreign exchange and not for re-export. The state trading enterprises may be given the right of priority to purchase imports, provided the purchase prices allow a certain margin of profit to the importers.

The foreign trade control regulations in East China are largely similar to those in North China. Exports are divided into three classes: (1) List A, freely permitted exports, (2) List B, specially permitted exports subject to special licences, and (3) List C, prohibited exports, which cannot be exported except by special permission of the People's Government. Exporters shall surrender the foreign exchange proceeds of their exports in exchange for a Deposit Receipt which can be sold in the market.

Imports are divided into three categories:—(1) List A, permitted imports subject to licence; their importation can be financed either with exchange deposit receipt purchased at the market or with self-provided foreign exchange. (2) List B, specially permitted imports, traded in by government trading agencies, and (3) List C, prohibited imports, which shall not be imported except with the special permission of the Government.

Exchange Control regulations in East China are as follows:—

1. The Bank of China is appointed as an agent of the People's Bank of China for the control of foreign exchange transactions. 2. The People's Bank of China may designate other banks of good standing as "Appointed Banks" for the transaction of exchange business. 3. An exchange market shall be established in the Bank of China, where all appointed banks may buy or sell foreign exchange. The daily opening rate, however, is to be announced by the Bank of China after approval by the People's Bank of China. 4. All foreign bills, currencies, drafts, remittance notes, cheques, and proceeds from exports, incomes from insurance, commissions, etc. are to be deposited with the Bank of China in exchange for a "Foreign Exchange Deposit Receipt", or sold to the Bank of China for "People's Currency". The Foreign Exchange Deposit Receipt may be sold at the exchange market. 5. The Foreign Exchange Deposit Receipt shall be purchased by the following persons:—
a) Those holding Import Permits issued by the Foreign Trade Control Bureau. b) Those holding certificates issued by the Bank of China for the purchase of exchange in payment of import or export freight, commission and insurance charges. c) Those holding certificates issued by the Bank of China for the purchase of exchange in payment of living expenses of employees of local firms in foreign countries. d) Those holding certificates issued by the Bank of China for the purchase of exchange in payment of travelling expenses abroad. e) Those holding certificates issued by the Chinese People's Government, or Provisional Administration, or People's Muni-

principal Governments of Shanghai, Nan-tured tobacco, glass plate and sheet, king and Hangchow for the purchase of iron and steel, zinc and articles manufactured of zinc. 6. Appointed banks are subject to supervision and inspection by the Bank of China. Commissions charged by appointed banks for exchange transactions are fixed by the Bank of China. 7. Appointed banks are not allowed to buy or sell foreign exchange on their own behalf or to speculate, profiteer, or endeavour to effect the flight of capital through foreign exchange transactions, either on behalf of others or for themselves. 8. Appointed banks are not allowed to buy or sell foreign currencies or foreign securities. No persons other than the Bank of China and appointed banks are allowed to buy and sell foreign exchange. 9. Incoming passengers bringing in foreign currency or foreign bills or drafts shall exchange such currency or bills or drafts for People's Currency at the port of entry, or deposit such currency or bills or drafts to be withdrawn on their departure from China.

The regulations in East China differ from those in North China in certain important respects. In East China exchange control is much more extensively applied, while in North China, barter being compulsory, the surrender of foreign exchange arises only in respect of that portion of export not compensated by import of equivalent value. The classification of imports and exports into categories is substantially the same in North and East China. However, in East China the largest number of articles fall within the categories of permitted exports, or prohibited imports, indicating that the object of control is to promote exports and reduce imports to the minimum level consistent with the needs of the economy and the foreign exchange position. Thus, of nearly 670 items enumerated in the import lists of East China, about 370 are on the prohibited list, and in August 1949, over 70 items were taken off the list of about 270 permitted imports. Between 15-31 July, 1949 the period set for registration in East China, 2,900 applications were received, in respect of which licences were issued to 630 importers and 727 exporters.

HONGKONG

Import Control

(i) All imports into Hongkong are subject to either general or special licence. Under General Licence No. 1, imports from the following countries are permitted without special licence:—All territories within the British Empire including the Mandated Territories (except Canada and Newfoundland), Iraq, Iceland, Thailand, Burma, Indochina, Indonesia, U.S.A. and the Republic of the Philippines.

Special licences are however required for the import from the above-mentioned countries of certain specified commodities. These commodities are:—Butter, cheese, margarine, flour, rice and rice products, sugar, meat of all kinds, tin, tinplate, coal, coke, cotton yarn, diamonds, gold, gunny bags, cotton linings and poplin, linen piecegoods, lead cutlery, whisky, beer, manufac-

tured tobacco, glass plate and sheet, iron and steel, zinc and articles manufactured of zinc.

(ii) All goods originating in China and Macao can be imported under General Licence No. 1, without special licence. Exceptions are imports of coal, coke, cotton yarn and sugar.

(iii) Special import licences are required in all cases except those mentioned in (i) and (ii) above; in addition, imports from countries outside the territories listed above, especially European countries outside the Sterling Area, require an exchange permit or authorization by the Exchange Control.

(iv) Restricted Imports: There are certain restricted imports which require the previous authorization of the Department of Commerce and Industry before import licences can be granted, in addition to any exchange requirements, which may be necessary. These include:—Food products generally, including those listed in (i) above; but with the exception of milk and milk products, biscuits and canned fish (provided they are not being imported from the United Kingdom); building and constructional materials (such as structural steel, mild steel bars, wire and wire nails, cement, etc.); coal and coke, cotton yarn, and tin and tin plate.

(v) Imports from Japan, are handled wholly by the Supplies and Distribution Department, which also issues the necessary import licences.

(vi) Prohibited Imports. Gold bars and gold coins; Swiss watches from the United Kingdom financed in sterling (the importation of British watches from the United Kingdom is allowed only in token quantities and when satisfactory evidence is produced that they are of 100% British manufacture); and jewellery, for which the approval of the Exchange Control is necessary before import licences can be issued, except in the case of small quantities of bona fide personal jewellery, for which the Department of Commerce and Industry issues the import licences direct on application.

(vii) Rubber. Rubber, of whatever origin, can only be imported under special licence. Import from Indochina and Thailand is only allowed on production of a Certificate of Origin and a British Consular Certificate. In every case where rubber imported into the Colony is re-exported to a territory outside the Sterling Area, a deposit of 100% of the exchange value will be demanded.

(viii) Plants. No person shall import into the Colony any plant originating within the American Tropics without a licence from the Superintendent of Imports and Exports.

Export Control

(i) Prohibited exports. Under the Colony's Prohibited Exports Order, exports of the following commodities are not allowed, except with the special approval of the authorities:—

Foodstuffs—Butter, flour, rice, sugar. Bottles—All kinds, whole or broken empty or filled. Cotton yarn of all kinds. Tin plates. Baths—all kinds.

Water closets—all kinds. Gold bullion and coin. Silver bullion and coin. Tin slabs and ingots. Cotton threads of all descriptions. Peanut cakes in solid or powdered form. Basins, toilet and all bathroom accessories. Peanut oil. Sweetened condensed milk. Cement. Preserved ginger—in casks. Toilet and medicated soap. Gunny bags. All manufactured and semi-manufactured iron and steel. Evaporated milk. Cheese—all kinds. Margarine. Iron and steel scrap. Milk powder, canned meats: all kinds, Bacon and Ham.

(ii) Licensed Exports. (a) All commodities can be exported only under licence, except those to the Sterling Area and China. (b) "China Exports" to the Sterling Area are also subject to licence. With the object of helping the Government of China in the collection of China's export proceeds, the Government of Hongkong agreed with effect from 1 January, 1949 to list the following eight commodities as "China Exports":—bristles, cotton, yarn, tea, tung oil and rapeseed oil, tin, wolfram and antimony. In respect of these commodities, licence to export is granted by the Hongkong Government, only if exporters submit a Chinese Government Certificate of Origin, testifying that the proceeds of exports to Hongkong have been surrendered to the Central Bank of China.

(iii) Export Exchange Control

A. Complete surrender of exchange. All exchange proceeds from exports have to be surrendered to the Hongkong Exchange Control with the exception of; (a) Exports to Korea, Macao, Sterling Area countries, and China. (b) Exports to Japan which are under special arrangement. (c) Exports of goods originating in China, Macao, Hongkong, and Korea to the U.S.A. and its possessions and to the Philippine Republic, except ginger, tin, lead, silver, copper, and wood oil. The reason why the proceeds of exports of goods originating in China to the U.S.A. are exempt from complete surrender at the official rate is that those Chinese products might be diverted to other channels instead of Hongkong. The full proceeds in U.S. dollars from the re-export of diamonds are subject to surrender at the time that such goods are imported from abroad.

B. Partial surrender of exchange. The following proportions of exchange proceeds from the export of certain commodities to the U.S.A. and its possessions and to the Philippine Republic are subject to surrender; the proportions are based on f.o.b. values: (a) 50 percent for ginger; (b) 25 percent for tin, lead and silver; (c) 20 percent for copper; (d) 15 percent for wood oil.

C. The exchange proceeds of all exports other than those specified in A are to be surrendered in full. The sale or surrender of such proceeds is acceptable in accordance with Bank of England procedure, i.e. in sterling from an account in the U.K. in the name of a resident in a country to which the exports are exported. In the case of

exporters making arrangement for payment in U.S. dollars, irrespective of the country of destination, the proceeds are freely retained by the exporter if the goods originate in China, Korea, or Hongkong.

Exchange Control

Hongkong is part of the Sterling Area, and the rules of the Sterling Area exchange control apply in Hongkong in a modified form. Imports from China, Macao, and Korea, and imports financed in U.S.A. dollars are freely permitted, provided that the importer finds his own exchange. Imports from non-Sterling Area countries must be financed through the authorized banks, and currency will only be given for imports from hard currency areas when such imports are of an essential nature and meant for local consumption. Consequently, it is difficult at the present time to obtain official exchange for imports from Belgium, Switzerland, Portugal, and the Americas.

Bar on the Possession of and Trading in Gold

With effect from 15 April 1949, regulations were introduced prohibiting the use of gold as security, the possession of gold, transactions in gold and the publication of information relating to transactions in gold, except with permission. These prohibitions were imposed because of the obligations imposed by the International Monetary Fund on its members and accepted by the U.K. for its overseas territories.

INDOCHINA

Import Control

Imports are made according to a Plan of Importation as part of an overall Supply Plan for Indochina. This Plan is prepared and published each half year, taking into account essential goods and commodities, such as foods, textiles, chemicals, machinery, and equipment necessary for the country's reconstruction. It shows under the headings of the various commodities the quantities to be imported and the sources (franc, sterling, dollar, etc.). In the preparation of the Plan, franc sources are considered first. When essential goods cannot be procured from within the French Union, or when procurement would involve undue delay, the Plan provides for importation from some other source. Purchase from other sources depends upon such factors as cost, foreign exchange available, and the time when delivery might be expected.

Firms and individuals desiring to import goods must obtain the necessary purchase authorization and exchange permit. Applications for licences are accepted only for goods included in the Plan of Importation.

Licences are granted by the Directorate of Foreign Trade, (Direction du Commerce Extérieur) under the supervision of the Permanent Commission for Internal and Foreign Trade Exchanges, C.P.E.I.E. (Commission Permanente des échanges intérieurs et extérieurs), after registration at the

Office of Purchasing Permits, B.A.A. (Bureau des autorisations d'achat), for all imports paid for in foreign currency. Many private firms and individuals are organized into importers' syndicates and apply for licences. The licensing is done on the basis of tenders invited not only from the syndicates, but from all registered importers.

With effect from 20 June 1948, licenses for exports and imports between Indochina on the one hand and France and the French territories in Africa on the other, were dispensed with, although temporarily certain specified commodity exports (rice, grains, seeds and oils, and bullion) are still subject to licence.

The Central Committee of Supply and Commercial Exchanges (Comité central des approvisionnements et des échanges commerciaux) established by official decree dated 11 December, 1947, has the following principal functions:— (a) approving supply plans for Indochina, (b) deciding on the distribution of quotas among the States, for the import of controlled products and for the eventual export of surpluses from each State, (c) settling any disputes which arise between the State Governments and the French Residents, with regard to the distribution of products within each State, (d) establishing the general conditions for the import and export of products.

The Permanent Commission for Internal and External Trade Exchanges (Commission permanente des échanges intérieurs et extérieurs) is entrusted principally with the task of: (a) drawing up annual, quarterly, or half-yearly plans of supply to be approved by the Central Committee of Supply and Commercial Exchanges, (b) applying any enforcement measures decided upon by the Central Committee, (c) handling certain items of the import plan within the limits established by the Central Committee, (d) approving import and export licences and licences for international trade exchanges, (e) formulating certain special frontier regulations according to the directions given by the Central Committee, and (f) approving lists of products which may be directly exported by the decentralised departments, and the conditions regulating the export of these products, according to the directions of the Central Committee.

The Central Supply Committee meets twice a year and defines, for the following six-months period, the general policy to be followed with regard to import, export, and distribution. The Permanent Commission for Internal and External Trade Exchanges meets every week and studies all the special cases submitted to it by the Directorate of Foreign Trade. Decisions are taken by this committee in conformity with the policies laid down by the Central Supply Committee. The Indochina Rice and Maize Committee, set up in June 1948, is entrusted with the task of ensuring the export of rice, maize, etc., from Indochina in accordance with Indochina's international commitments and trade obligations.

Export Control

Export licence is required in respect of all commodities, and foreign exchange derived from exports must be surrendered to the Indochinese Exchange Office.

With effect from 27 August, 1948 a new procedure was introduced permitting a limited amount of barter; under this arrangement, imports fall into two categories:—(a) Commodities which do not entail the transfer of foreign exchange to the exporting country. (b) Commodities which entail the transfer of foreign exchange.

In regard to (b), the rate of foreign exchange for the transactions is determined in the light of local and foreign prices of commodities.

Exchange Control

The Indochinese Exchange Office receives from the French Exchange Office the necessary foreign exchange for the realisation of the import plan and puts it at the disposal of the licensed importers. The exporters surrender the foreign exchange proceeds of their exports to the Indochinese Exchange Office. The conditions governing the issue of foreign exchange allocation and licences are determined in the light of instructions from the French Foreign Exchange Office. The Indochinese Exchange Office supervises transfers between Indochina and France, and between Indochina and foreign countries.

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INDONESIA

Import Control

All imports are subject to both import and foreign exchange licensing. Neither certificates of origin nor consular invoices are required for imports excepting for a very few specified commodities e.g. narcotics.

Immediately after the Second World War, all import and export trade was handled by the Netherlands Indies Government Import and Export Organization (NIGEO). In accordance with the declared policy of restoring trade to normal trade channels, the NIGEO gradually withdrew from trading in several groups of commodities and was finally liquidated in October 1947. Since, however, it was not possible to restore trade completely to private hands, two new agencies, the General Import Organization (AIO) and the Import Planning and Allocation Organization were set up which functioned in such a way as to promote a greater degree of participation by private enterprise subject to government control and assistance.

The Import Planning and Allocation Organization, functioning under the Department of Economic Affairs, is composed of a director appointed by the head of that Department, and a board of four, consisting of the chairman of the Netherlands Indies Association of Importers and Wholesalers (NIWIA), one member each representing the Chinese and Indonesian business communities, and one official of the Department of Economic Affairs.

The Board acts in a purely advisory capacity and submits to the Department of Economic Affairs estimates of the types and quantities of required imports and proposals for allocating the intended purchases to pre-war and post-war importers. Upon the approval of these estimates by the Department of Economic Affairs, the necessary exchange is made available by the Bureau of Foreign Exchange.

AIO, also under the direction of the Department of Economic Affairs, utilizes private trading channels to a greater extent than did NIGIEO; but while private firms have made scope under the AIO their operations are still restricted. In ordering goods from abroad three methods are employed by AIO as follows:

(a) Bulk Foodstuffs, Cigarettes, and Beverages. Bulk foodstuffs, cigarettes and beverages are ordered by AIO through local Netherlands Indies firms maintaining offices abroad. This group of firms is associated with the Netherlands Indies Wholesalers and Importers Association (NIWIA). Upon receiving an order from AIO, the NIWIA determines which of its member firms will handle the transaction. This member then orders and handles the goods. No matter which member effects the transaction, all of the member firms who before the war regularly handled the goods ordered, share in the commission. This commission is divided among them on the basis of their prewar share of the trade in those goods. Only firms maintaining offices abroad and who are members of NIWIA can participate in business handled this way. Shipments of this type are financed by and consigned to AIO. Upon arrival in Indonesia and upon payment of the foreign exchange equivalent in guilders to AIO, import houses take possession of the goods. Importers who are financially unable to pay the AIO will nevertheless be enabled to take possession as selling agents for the AIO.

(b) Special Items. Purchases of paper, stationery, and a number of other items are handled on an allotment basis. When it has been determined how much exchange can be made available during a given period for the importation of such items, the business is divided among the importers who regularly handle that item. Allocations to individual importers correspond to their prewar share of the business in the item in question. Generally, however, 10 percent of the available foreign exchange is reserved for distribution among the importing firms newly established since the war.

(c) All Other Items. Orders for other items are placed on the basis of tenders. When the government has determined how much exchange may be allocated during a given period for the importation of a specific article, importers are invited to submit tenders.

The basic reason for the existing import control system is the necessity to conserve foreign exchange, and to prevent the import of goods paid for by foreign credits established illegally as the result of smuggled exports.

Since a recent rationalisation of the procedure, import licences are issued, for and on behalf of the Exchange Control, by the Import Office of the Department of Economic Affairs:—

Import licences are issued subject to certain conditions in respect of:—(a) Imports for which foreign exchange is required, in which case foreign exchange licences are issued simultaneously; (b) imports for which no foreign exchange is required.

As regards (a), in the first place applications are subject to screening in respect of prices and countries of origin. In addition, however, applications for foreign exchange for imports are also screened against overall import programmes, as set up from time to time by the Import Office and approved by the Exchange Control. Such approved import programmes are of course designed to provide as large a volume as possible of the essential goods needed for the economy of the country on a strict priority basis and within the limits imposed by the amounts of foreign currency available.

As regards (b), import licences are issued in all cases where the applicant can reasonably establish that:—(i) the availability to him of foreign currency to finance the imports concerned, is the result of bona fide transfer of assets and not a link in the vicious circle of smuggling, either of currency or goods; (ii) the nature of the goods to be imported is such as to be of value to the economy of the country; (iii) adequate safeguards exist to protect the public against the sale of such goods at exorbitant prices.

With effect from 1 March 1949, the historical rights system of allotting import licences to firms on the basis of their pre-war import was abolished as regards imports from soft currency areas. As regards imports from hard currency areas, viz, the United States, Canada, Belgium, Japan, Switzerland and Portugal, the "historical rights" system is still in force, although it is the officially stated policy to abolish this as early as practicable. Certain special regulations regarding textile imports came into force in February 1949. According to these regulations, textiles were to be imported only from the Netherlands and from the "treaty" countries, specified as France, Belgium, Spain, Bizonia, Switzerland, Italy, Czechoslovakia and Hungary. Purchases of textiles from sterling countries, including Hongkong and Singapore, are prohibited.

Prewar regulations regarding the import of military and semi-military articles, and sanitary regulations, continue to be in force.

Export Control

An export licence is required from the Export Bureau (BUZ). All exporters are required to surrender their foreign exchange to the Bureau of Foreign Exchange. Apart from this, a permit is required in the case of agricultural estate products in the newly occupied districts of Java, Madura, and Sumatra from the Central

Selling Organization of Agricultural Products (CVO) and in the case of sugar a similar permit is required from the Netherlands Indies Society for Sugar Export. The export of a number of commodities is handled by special government agencies—the Copra Fund, the Quinine Bureau (for cinchona) and the Sales Bureau for mineral ores.

In view of the local shortage of food, there is in force an export prohibition with regard to primary foodstuffs such as rice, maize, and soyabeans (although the export of maize and soyabeans is permitted on a limited scale), while for certain groups of commodities export is possible only to certain countries with a view to fulfilling the obligations resulting from trade agreements. In principle, the prewar prohibitions and restrictions for sanitary reasons are still in force with regard to the export of cattle, parrots and birds, narcotics, living plant material, seeds, etc.

Exchange Control

Import control is dominated by a scarcity of hard currency. While as a general rule barter and compensation transactions are not permitted, special temporary barter regulations exist for the trade with Singapore and Hongkong, whereby the exporters of non-estate products are permitted to retain a certain proportion of the foreign exchange proceeds of their exports for the import of essential controlled commodities from Hongkong and Singapore.

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MALAYAN FEDERATION AND SINGAPORE

Export Control

According to the Malayan Import Guide, dated 10 June 1949, imports into the Malayan Federation and Singapore, especially those from hard currency sources, are subject to restriction. Commodities essential for rehabilitation and economic life are permitted to be imported free regardless of the source or origin. These commodities are—chemicals, construction materials, hardware, machinery and motors, oils and miscellaneous commodities.

Limited amounts of certain other commodities, such as refrigerators, tin plate, and a few others of hard currency origin may be imported; these include commodities which enter into the Malayan re-export trade to neighbouring territories. On balance, this trade results in a net gain of hard currency to Malaya.

The quotas among the hard currency countries are determined in the light of the prewar imports of the commodity into Malaya from each hard currency country. Hard currency countries are at present defined as the whole of North and South America, Belgium, Bizonia, Cuba, Japan, Korea, Philippines, Portugal, Switzerland and the U.S.S.R.

A third list of commodities comprises those which can be imported from hard currency sources under special conditions. Licensing is done on the merits of each case.

Goods of non-sterling origin may be imported from Hongkong, provided payment is made to Hongkong in sterling or in American dollars; as a rule all commodities except those mentioned in the official lists are regarded as prohibited imports from hard currency sources.

The import control was amended with effect from 12 July, 1949 by which applications for licences for the import of several articles from the dollar area, including the United States, certain South American countries, Canada, Japan, Korea and the Philippines, would be considered. However, for those specific articles licences continued to be issued for imports from Belgium, Bizonia, Portugal, Switzerland, U.S.S.R., and certain South American States including Argentine, Brazil, Chile, Guiana, Peru and Uruguay. The quotas previously issued for imports of certain goods from the hard currency countries were also suspended. A new list was published, containing the items for which applications for licences will be considered for import from the U.S.A., American Account countries, Canada and Japan. The list includes categories such as machinery and vehicles, steel and wire, oils, optical goods and miscellaneous articles. The importers are to establish the merits of the import, in particular whether those articles are essential, urgent and cannot be obtained from non-dollar sources.

Export Control

Exports are classified into three categories:—A. Prohibited Exports. This list contains all the most essential rehabilitation supplies. The prohibition does not apply to North Borneo. B. Exports Restricted by Special Rulings. This list comprises commodities such as building materials, machinery and metals, containers, vehicles, fuel etc. Licensing is done largely on the merits of each case. In regard to many commodities on this list, export is permitted only to neighbouring territories. Export of tin ingot is regulated in accordance with the purchase of the U.K. Ministry of Supply. C. A list of foodstuffs, the export of which is prohibited or restricted under international or Sterling Area agreements. A few specified food items are exportable to North Borneo, while another list permits the export of a few food articles to neighbouring territories such as Burma and Thailand.

Exchange Control

Exchange control is on the lines of other Sterling Area countries. All foreign exchange proceeds from exports are to be surrendered to the government; all imports from hard currency sources are subject to exchange licence from the Controller of Exchange.

NORTH BORNEO, BRUNEI AND SARAWAK

The import and export controls in these territories are largely on lines similar to those in the Malayan Federation and Singapore, while their exchange control is in conformity with the Sterling Area practices.

PHILIPPINES

Import Control

Import control in the Philippines came into force by virtue of the Republic Act No. 330 and the President's Executive Order No. 193. With effect from 1 January 1949, no non-essential or luxury articles specifically mentioned in a list, can be imported into the Philippines without an import licence issued by an Import Control Board set up under the provisions of the Order. The quantity or value of each luxury or non-essential article that may be imported shall be fixed by the Import Control Board quarterly, semi-annually or annually in accordance with a schedule or percentage reductions prescribed for various imports. The Import Control Board shall fix the quota for each article in terms of quantities or total money values and shall allocate such quotas to the importers duly registered for such articles on the basis of their base period 1 July 1947 to 30 June 1948. An alternative base period, namely 2/3 of an importer's importation from 1st July 1947 to 31st December 1948, is also permitted. Not more than 20% of the quota fixed for each article is reserved for allocation to new importers. Provision exists for the transfer of the quota of one importer to another as well as from one article to another for the same importer. The percentage reductions prescribed for the various imports range from 20 to 95 percent, the reduction for the majority of articles being as high as 40 to 60 percent. These percentage reductions are in some cases related to minimum prices per unit of the imported commodities.

Export Control

All exports require licensing; the export of certain specified commodities is subject to individual licence. (Those commodities include rice, sugar, milk, cheese, butter and imitation, eggs and preparations thereof, pulses, vegetables, fruits, nuts (except coconuts) and preparations thereof, paints, dyes, varnishes, chemicals, pharmaceutical products, oils, fats, waxes and derivations thereof, matches and match sticks, paper and manufactures thereof, medical supplies and equipment.)

In the case of export to the United States, all commodities, whether on the prohibited list or not, were until recently permitted to be exported without individual licences. With effect from 1 January 1949, however, the law was amended and individual licences are now to be obtained for all exports including those to the United States, of goods on the revised prohibited list. Besides, the re-export of goods exported from the U.S.A. to the Philippines under allocation is also subject to individual licence.

Regarding exports of logs, fitches and sawn lumber, export licences are issued only to actual producers thereof, up to 50 percent of his production for each producer. In addition, a timber producer may also be licensed to export up to the amount of timber sufficient to pay for the milling and logging machinery actually purchased and imported by

him for his own use. Exports of copra remain under international allocation and the export of surplus U.S. war materials is permitted only in accordance with the Surplus Property Agreement with the United States. Exports of copra, shell peanuts, kapok, cigarettes and fibres are subject to certain requirements of grading and standardization.

In terms of the Agreement with the United States of July 1946, the following absolute maximum annual quotas are in force for export to the United States, valid for the period 1 January 1946 to 3 July 1947:—

Sugar	952,000 short tons
Cordage	6,000,000 lbs.
Rice (including flour and bran)	1,040,000 lbs.
Cigars	200,000,000 numbers
Tobacco	6,500,000 lbs.
Coconut oil	200,000 long tons
Buttons of pearl or shell	850,000 gross

The last four are duty free.

Exchange Control

Exchange control has recently been introduced in the Philippines. In terms of the Agreement with the United States of July 1946, the value of Philippine currency in relation to the U.S. dollar will not be changed and the convertibility of Philippine peso into U.S. dollars will not be suspended, nor restrictions imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States—this agreement, having been given in the case of the Philippine's institution of exchange control.

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THAILAND

Import Control

Import Control came into force in December 1948 under the Import Control Ordinance (No. 2) B.E. 2491. Imports of luxuries such as toilet goods and perfumery, toys, non-essential foods, automobiles, and cement were brought under licence; other goods can be imported freely. The list of controlled imports was enlarged in July 1949. The object of import control is to divert the expenditure of foreign exchange to the purchase of productive equipment and essential commodities. Imports of arms and ammunition, and narcotics are subject to special formalities. All gold imported should be sold to the Bank of Thailand within seven days of arrival at the official price.

Export Control

Export control is administered under the Export Control Ordinances issued from time to time. Present arrangements are as follows: Permission to export rice is granted to the Rice Bureau of the Ministry of Commerce for shipments to countries under the allocations of the International Emergency Food Committee of the Food and Agriculture Organization. Permission to export raw cotton and brown sugar is granted freely but after reservation for home consumption has been made. Permission to export gunny bags (under control) is granted for packing purpose only and with the following conditions: a. The exporter is required to give an undertaking to import the same quantity of similar bags into Thailand within 6

months. A cash deposit of Ticals 15 per bag or bank guarantee for the same amount is to be made with the Ministry of Commerce. b. Importers of gunny bags, by previous arrangement with the Ministry of Commerce, may use 80% of their imported bags for export packing without having to comply with the conditions as set forth in (a). Permission is usually granted to exporters to employ grey shirtings as lining for gunny bags used for packing shellac, seedlac, buttonlac and tapioca flour for export. Permission to export cement is granted only to cement manufacturers. Shipment must be made through the Port of Bangkok, and the exportable quantity is limited to the surplus production beyond domestic need. The exporter is also required to surrender all foreign exchange derived therefrom to the Bank of Thailand.

Export of tin is allowed only after the Minister of Commerce or his deputy is satisfied that such export is made in accordance with the allocation of the Combined Committee in Washington D.C. or any other organization acting for the Committee as specified in the Formal Agreement made between the Governments of Thailand and Great Britain and India dated 1 January 1946.

Regarding coconut products, the present rulings of the Ministry of Commerce allow the export of oil and cake on a quota basis of the monthly output of each individual mill, that is, export permits will be granted up to 25% of coconut oil monthly output and 95% of the cake monthly output of individual mills. Export permits are not granted for coconuts and copra.

In respect of several other articles, including cattle, hard woods, oils, etc., export is subject to licence. Exports for personal use, sample or travel requirements, are generally free from control. Regarding gold, platinum and precious stones, export is subject to licence, but no one is at present allowed to export them on a commercial basis; only personal jewellery is permitted.

The re-export of goods of foreign origin is subject to control ranging over a very wide field of consumer, capital, and other goods. Permission may be granted under special circumstances.

Exchange Control

Exchange control is administered under the Exchange Control Act B.E. 2485 (1942), the Ministerial Regulations issued thereunder, and the notifications of the Ministry of Finance, and of the Bank of Thailand issued from time to time.

Two stages can be distinguished in the trade and exchange controls of Thailand in the postwar period. The first was during 1946 and 1947, when a comprehensive system of controls was in force; the second, from 1948 onwards, when most of the controls were abolished, and the government policy was to promote the maximum freedom in trade and exchange transactions. During the first stage, all foreign exchange transactions were centralized with the object of mobilizing all foreign exchange resources and conserving them

for essential imports. A system of import and export control was also set up permitting, on the one hand, only essential imports, and, on the other, only exports of commodities in excess of domestic needs. The administration of exchange control was entrusted to the Bank of Thailand, which worked in close collaboration with the Ministries concerned, and the Foreign Trade Regulation Board, specially set up to control exports and imports and allocate foreign exchange. The Board was later dissolved, and the exchange control was in the hands of the Bank of Thailand until June 1947, when a Foreign Exchange Regulation Board was set up, with the Governor of the Bank on its membership. This Board was dissolved in 1948.

The overall system of control did not operate with success; there were leakages in the surrender of exchange proceeds, and consequently in the year 1947 several steps in relaxing control were taken. All controls on imports and exports other than rice, rubber, tin, teak and certain foodstuffs were abolished. Towards the end of the year, the export of cement was also placed under control. Foreign exchange acquired in payment of all goods other than rice, rubber, tin, teak and cement was exempted from the requirement to surrender to the Bank. Only 50% of the foreign exchange proceeds acquired from tin and teak had to be surrendered to the Bank. The exporter was allowed to retain the remaining 50%, at first to be used only for importing goods, but later on, for any purpose whatsoever. As for foreign currency proceeds acquired from rubber exports, only 20% of the value thereof had to be surrendered to the Bank if the rubber was shipped through the port of Bangkok (including Koh Sichang), and 25%, if shipped through other ports.

Commercial banks authorized to deal in foreign exchange were permitted to buy, sell, and transfer foreign exchange freely. Foreign exchange could be obtained from the Bank at official rates for essential imports on the priority lists.

Those selling rice to the Government Rice Purchasing Bureau for delivery to the United Nations were given special inducement benefit under which they were allowed to purchase pounds sterling at the official rate from the Bank for payment of imports on the basis of 10% of the value of their rice sales. Later, such sterling was permitted to be utilized freely for any purpose whatsoever.

The various measures mentioned above were put into effect at different times during 1947. At the end of the year all of them were in force. The authorization of free dealings in foreign exchange was tantamount to giving official recognition to free market exchange transactions and the existence of free exchange rates in parallel with the official rates.

The control of foreign exchange was further relaxed in 1948 by the dissolution of the Foreign Exchange Board, and by the Ministerial Regulations

(No. 7) of the Minister of Finance, dated 14 March 1948 issued under the Exchange Control Act B.E. 2485, (1942) which in effect permitted foreign exchange transactions in the open market to be carried out by all persons without the necessity of an official authorization. The only items still under exchange control at present are the foreign exchange proceeds derived from the exportation of rice, tin, rubber and cement. The whole proceeds from the exportation of rice and cement have to be surrendered, but only 50% and 20% of the proceeds of tin and rubber exports respectively need be surrendered. A further concession was given to the tin exporter who was not required to apply for an export certificate if he possessed a bank guarantee against surrendering the 50% exchange proceeds. Until 31 March 1947, the exporter had still to surrender 50% of the foreign exchange proceeds for teak exports, but after that date teak was freed from control.

With the abolition of the Foreign Exchange Board, and the import restrictions, the principle followed in making foreign exchange available at official rates was to restrict it to the payment of imports required for reconstruction, and for essential expenditure. In 1949, however, the practice of making foreign exchange available at official rates was given up for all but government requirements. As currently in force, the exchange control in Thailand is on very limited lines.

There are no restrictions on transfers of capital, dividends, interest payments, etc. The export of gold is generally prohibited, and gold imported should be surrendered to the Bank of Thailand at the official rate of exchange. The Bank of Thailand was until recently providing foreign exchange at official rates for the remittance of dividends to shareholders residing abroad, of public utility limited companies formed and registered in Siam, (only 2 such companies actually exist) but lately this has been stopped.

In 1947, Thailand became a member of the 'Sterling Transferable Accounts' Group and consequently the facilities of settlement of payments in sterling for current transactions are available: in practice Thailand has benefited from facilities as regards trading with the Sterling Area countries, Sweden, Norway, Netherlands, and Indonesia. Thailand's trade with Japan, conducted on open account at the rate of one U.S. \$=20 baht, is governed by special regulations.

The Economic Commission for Asia and the Far East, Economic and Social Council, United Nations, have recently compiled a paper on trade and exchange controls in the countries coming under their jurisdiction, i.e. the countries in the Far East, India, Pakistan and Ceylon. A survey of the controls currently in force in the countries in the Far East will, although readers of the *Far Eastern Economic Review* may be fully conversant with them, come very welcome in view of the fact that the above report summarises and explains the trade and exchange controls imposed by the various governments in the region.

ECONOMIC SURVEY OF MALAYA, SINGAPORE, AND BRITISH BORNEO

Areas and Boundaries:—Federation of Malaya.—The states and territories comprising the Federation of Malaya—which includes the former Federated and Unfederated Malay States and the Settlements of Malacca and Penang with Province Wellesley—are situated in the Southern portion of the Kra Peninsula (commonly referred to as the Malay Peninsula), which protrudes from the mainland of Asia between India and China. The Federation is located between 1°18' and 63°43' N. latitude and 100°2' and 104°7' E. longitude. It is bounded on the North by Thailand, on the East by the South China Sea, on the South by the Straits of Johore (which separates the peninsula from Singapore Island) and the Strait of Singapore, and on the West by the Straits of Malacca. The area of the Federation is approximately 50,660 square miles and is comparable in size to England (without Wales), or a little smaller than the State of Alabama.

Colony of Singapore.—The colony of Singapore consists of Singapore Island with some adjacent islets, and the distant Cocos (Keeling) Islands and Christmas Island in the Indian Ocean. Singapore Island is situated at the Southern extremity of the Malay Peninsula. It extends some 27 miles in an East-West direction and about 14 miles North and South, having an area of approximately 217 square miles including the small adjacent islands. A causeway carrying a road and rail line joins it to the mainland. The Town of Singapore (31 square miles) is on the Southern side of the island and for administrative purposes is distinct from the remainder or Rural Board Area. The former is primarily a business, shipping, and residential area and the latter predominantly agricultural, although housing development is proceeding at a rapid rate outside the municipal boundaries.

Christmas Island is about 190 miles South of the Western extremity of Java or about 600 miles from Singapore at 10° 30' S. latitude and 105° 40' E. longitude. The island, which is densely wooded, has an area of about 60 square miles and contains extensive deposits of phosphate of lime which are worked and exported.

The Cocos Islands, a group of 27 small coral islands about 1,200 miles South West of Singapore, lie (except for North Island) between 12° 4' and 12° 13' S. latitude and between 96° 49' and 96° 56' E. longitude. The largest is 5 miles long and ¼ miles wide. Only two of the group have settlements—an operating staff of Cable and Wireless Ltd. on Direction Island and the labour force of the coconut plantations on Home Island.

Colony of North Borneo.—The Colony of North Borneo is 29,500 square miles in area, situated in the extreme North of the Island of Borneo,

lying approximately between 4° and 7° 30' N. latitude and 115° 30' and 119° E. longitude. It is about 1,000 miles from Singapore, 1,200 from Hong Kong, and 1,500 from Manila. The colony is about half the size of the State of Georgia. It is bounded on the North East by the Sulu Sea, on the North West by the South China Sea, on the South East by the Celebes Sea, and on the South and South West by Dutch Borneo and Sarawak. The island of Labuan, incorporated into the Colony of North Borneo, lies off its Southwestern most tip at about 5° 20' N. latitude and 115° 20' E. longitude, at the mouth of the Gulf of Brunei.

Colony of Sarawak.—The Colony of Sarawak stretches for about 450 miles along the North West coast of Borneo along the South China Sea and extends inland 100 miles or more. Its Northwestern boundary is North Borneo, and its South Eastern border consists of Dutch areas of Borneo. Sarawak's area is about 47,000 square miles. The colony is, therefore, nearly as large as the Federation of Malaya.

State of Brunei.—The State of Brunei, comprising an area of 2,226 square miles, has a coast line of about 100 miles on the South China Sea and is surrounded by Sarawak on its land frontiers. It lies between 4° 2' and 5° 3' N. latitude and between 114° 4' and 115° 22' E. longitude.

Natural Regional Divisions:—Federation of Malaya.—The Federation of Malaya is mountainous, with a framework of North-South ranges some of which reach elevations of more than 7,000 feet. Dense rain forests cover the mountains and uncleared lowlands of the interior. Mangrove swamps occupy extensive mud flats, particularly along the West coast, although there are several good harbors on the West side of the peninsula. Greater development of both mining and agriculture has taken place in the Western states than in the Eastern. The East coast is characterized by sandy beach, sand bars across river mouths, and no good harbors for craft of any size.

Singapore Island.—Singapore Island has a flat swampy coast-line with much of its area below sea level. The South and South East portions of the island are generally higher, between 150 and 200 feet. The city of Singapore, with its docks, is located in this area. Certain hilly portions in more or less isolated areas of the island attain a height of approximately 400 feet.

North Borneo.—North Borneo is mountainous, consisting of ranges from 4,000 to 13,000 feet in height and covered with heavy tropical forests and jungle. The coastline is swampy. There are numerous rivers, which, although navigable for short distances, constitute the only "highways" in parts of the country. The most extensive plain, which contains about 4,000 square

miles, is on the east coast and is irrigated by the Kinabatangan River and its tributaries. In the interior, the Keningau Plain, consisting of wide stretches of grassland, and the Tambunan Plain, occupied by a large rice-growing population, are traversed by the Pegalan River. The short, swift-flowing West coast rivers are of little use for navigation but the narrow coastal plain which they water produces the main rice and rubber crops of North Borneo.

Sarawak.—Sarawak has an alluvial and swampy coastal plain where isolated mountain groups rise to 2,000 feet or more, rolling country of yellow sandy clay intersected by ranges of mountains, and a mountainous area in the interior. The greater part of the country is under forest with rubber and sago plantations in the vicinity of Government stations and along the rivers. Numerous coconut plantations are located along the coast. Roads are few and travel is mainly by sea and river.

Brunei.—Brunei forms two enclaves into the territory of Sarawak, by which it is bounded on all land sides. Actually, the intrusion of Sarawak formed by the basin of the Limbang River divides the State into two separate parts. In general, its topographical features closely resemble those of Sarawak.

Climate:—Federation of Malaya.—The climate of the Federation of Malaya is extremely enervating for Europeans because of the high temperatures and high humidity. Daytime temperatures seldom exceed 97° F. and the diurnal range is small, generally about 10°, although the difference between daytime and nighttime temperatures is sometimes as great as 20°. There is no appreciable seasonal variation in temperature. Rainfall is abundant and well distributed throughout the year, ranging from nearly 100 inches in the lowland to about 200 inches in the hill stations.

Singapore.—The climate of Singapore is characterized by uniform temperature, high humidity, and copious rainfall. The variation of temperature throughout the year is very small. The excessively high temperatures of continental tropical areas, however, are never experienced. Although the days are hot and somewhat oppressive, the nights are almost always reasonably cool. The average maximum temperature for the year is 86° F. and the average minimum temperature 75° F. The average for any one month does not depart from the annual mean by more than 2° F. There are no well-marked wet and dry seasons. The average annual rainfall is 95 inches. December is the wettest month with a little over 10 inches, while February, May, June, July, and September are less rainy, with between 6½ and 7 inches. Rain falls on the average of one day in two. Prevailing winds are Southerly from May to October and Northerly from November to April.

North Borneo. The climate of North Borneo is equable but humid with temperatures ranging from 70° to 90° F. throughout the year. Night temperatures are usually in the neighborhood of 70°, and in most places comparatively cool nights offer some relief from the daytime temperatures. Rainfall varies from 80 to 200 inches per year according to the locality, with the wet season from October to February, and a less rainy season from April to September. The recognised seasons are somewhat unreliable and in some years dry spells occur during those months when the padi fields require water. Without irrigation the staple food crop of the country is therefore in constant danger.

Sarawak.—In Sarawak, the season from October to March is, in general, one of heavy rains, strong North West winds, and high seas, with occasional periods of calm. With the exception of a transitional month at each end, the remainder of the year has less rainfall, with occasional droughts lasting up to 3 weeks. Annual rainfall varies from under 100 inches near the coast to over 200 inches inland in the neighborhood of the mountains.

Brunei.—The climate of Brunei is hot and humid. The heat is usually tempered by a slight breeze and the temperature rarely exceeds 90° F., the usual daily range being between 75° and 86° F. The annual rainfall varies from 100 inches on the coast to 200 inches in certain parts of the interior. There are no well-defined seasons, but the rainfall tends to be heaviest from October to the middle of January.

Population.—The estimated population of British Malaya and British Borneo is shown in the accompanying table.

Federation of Malaya, total	5,003,728
Johore	762,218
Kedah	568,005
Kelantan	446,894
Malacca	247,260
Negri Sembilan	275,699
Pahang	243,473
Penang	457,926
Perak	971,753
Perlis	72,195
Selangor	730,641
Trengganu	227,664
Colony of Singapore, total	974,508
Singapore Island	971,472
Cocos Islands	1,900
Christmas Island	1,136
British North Borneo, total	918,416
Colony of North Borneo and Labuan Island	331,362
Colony of Sarawak	546,385
State of Brunei	40,670

In the Federation, Malays are in the majority, totaling 2,456,971; Chinese second, with 1,940,809; Indians third, with 548,253; and Europeans, Eurasians, and "others" constitute the small remainder. Singapore, however, has a predominantly Chinese population, numbering 754,985.

Although figures showing racial composition are not available for the Colony of North Borneo, indigenous

groups include the Dusuns, Muruts, and Bajaus, all pagan animists, whereas the largest alien race are the Chinese who, while engaged chiefly in agriculture and commerce, also supply most of the artisans for local industries.

The European community, although numerically small, controls a large portion of the colony's trade.

The main groups in Sarawak, according to 1947 census estimates, are the Sea Dyaks, comprising 34.8 per cent of the total population, followed by Chinese (26.6 per cent), Malays (17.9 per cent), Land Dyaks (7.7 per cent), and Melanau (6.5 per cent). There were 691 Europeans, representing only 0.1 per cent of the total. The Chinese take first place economically, and culturally their influence is second only to that of the Europeans.

The principal indigenous races of the State of Brunei are Brunei Malays, Kedayans, Tutongs, and Belaitis, who generally profess the Islamic religion, and the Dusuns, and Dyaks, who are pagan animists. Of the alien races, the Chinese are by far the most numerous, with small numbers of Indians who work as shop-keepers and as laborers in the oilfield, and a few Arab traders.

Language.—While English is the official language in Malaya and the recognised language of foreign commerce and industry, it is spoken by a comparatively small minority of the native population. Malay, Chinese, and Tamil (spoken by Indians) are the principal tongues. Newspapers and periodicals are printed in English, Chinese, Malay, and Tamil. The languages spoken in Brunei, Sarawak, and North Borneo are as diverse as the races which make up their population. Colloquial Malay serves as a lingua franca both for indigenous and alien peoples. Of the foreign languages spoken, Chinese is the most common.

Education.—Total enrollment in registered schools in British Malaya during 1947 amounted to 91,973 pupils. Enrollment in primary and secondary schools totaled 564,600, distributed among English, Malay vernacular, Indian vernacular, Chinese vernacular, and miscellaneous schools. Schools of higher learning in Malaya include King Edward VII College of Medicine (339 enrollment in 1947) and Raffles College (196 enrollment in 1947) in Singapore, Technical College in Kuala Lumpur, The College of Agriculture in Serdang, Selangor, and the University of Malaya, which was founded in Singapore in 1948.

Form of Government.—When civil government was resumed on April 1, 1946, the Crown Colony of Singapore and the Malayan Union took the place of the prewar groupings of the Straits Settlements and the Federated and Unfederated Malay States. Treaties were concluded with the sultans which aroused so much opposition among the Malays that new negotiations were

necessary. On February 1, 1948, therefore, the Malayan Union was transformed into the Federation of Malaya with legal sovereignty restored to the rulers in their respective States, who undertook, however, to accept the advice of the British High Commissioner in all Government matters except questions relating to the Muslim religion or Malay custom. A strong central Government consisting of a High Commissioner appointed by the British King, a Federal Executive Council, and a Federal Legislative Council was established. While the Colony of Singapore was separated from the Malay States politically, it shares with the Federation of Malaya common trade controls (except for tariff matters) and certain common services and technical advisers.

The constitution of the Government of North Borneo was established and regulated by Letters Patent of July 10, 1946, under which a Governor and Commander-in-Chief of the colony was appointed. By this instrument full sovereign rights were assumed over North Borneo following the North Borneo Cession Order in Council dated July 10, 1946, and the Labuan Order in Council of the same date, by which the former State of British North Borneo and the Settlement of Labuan became the new Colony of North Borneo.

In 1946 the Rajah of Sarawak, realising that the devastation which occurred during the Japanese occupation could not be handled with any degree of success with the limited resources at hand, handed the country over to the British Crown. A bill to this effect was introduced into the Council Negri in May 1946 and passed by a small majority. By an Order in Council the State became a British colony on July 1, 1946.

Brunei, although commonly referred to as the State of Brunei, is a sultanate. The supreme authority is vested in the Sultan in Council. The State Council consists of 12 members, including the British Resident, with the Sultan as President. The assent of the Council is required for the enactment of legislation and all important questions of policy are referred to it. Administration is carried out by a British Resident under the supervision of the Governor of Sarawak as High Commissioner.

System of Weights and Measures.—The standard measures recognised by the laws of Malaya, North Borneo, Sarawak, and Brunei are as follows:

Standard of length	imperial yard
Standard of weight	imperial pound
Standard of capacity	imperial gallon

The principal local measures of weight and capacity, with their relation to English standards, are as follows:

The Chupak	1 quart
The Gantang	1 gallon
The Tahil	1 1/3 ounces
The Kati (16 tahils)	133 1/3 pounds
The Kati (16 tahils)	1 1/3 pounds
The picul (100 katis)	133 1/3 pounds

The more common local measures of length in use are:

2 jenkaals	1 hasta
2 hastas	1 ela
2 elas	1 depa (1 fathom or 6 feet)
4 square depas	1 square jemba (144 sq. ft.)
400 square jembas	1 square orlong (1 1/3 acres)

Other weights in common use are:

10 huns	1 chi
10 chis	1 tahlil (1 1/3 ounces)
1 bahara (3 piculs)	400 pounds
1 kuncha	160 gantangs
1 nalih	16 gantangs
1 gantang padi	5 pounds approx.
1 gantang rice (milled)	8 pounds approx.
1 relong	0.71 acre
1,000 square depas	1 acre

Production, Agriculture:—Agriculture is the basic industry of the entire area. Under normal conditions, agricultural products in Malaya account for more than two-thirds of the total value of exports. It was estimated in 1931 that agriculture, including forestry, fishery, and hunting, accounted for 60.7 percent of the gainfully employed population.

The principal crops grown for world markets include rubber, oil palm (palm oil), coconut (copra and oil), pineapples, tea, and other jungle produce. The more important food crops grown are rice, tapioca, sweet potatoes, sago, sugarcane, groundnuts, maize, yams, and bananas.

Rubber.—Rubber is the most important individual commodity produced in Malaya; hence the economy of the country is vitally affected by conditions in the world rubber market. About 65 percent of the 5,203,704 acres under cultivation are in rubber, and in 1948 rubber items constituted 50.6 percent of Malaya's total exports and were valued at US\$410,133,134. Part of the rubber exported originates in nearby countries, chiefly Thailand and Indonesia, and is important to Singapore's entrepot trade. For example, in 1948 the quantity of rubber exported from Malaya was 979,172 long tons whereas production in Malaya that year, although at an all-time high, was only 698,000 long tons.

Over three-fourths of the acreage of estates of 100 acres and over is owned by Europeans, and nearly all the smallholdings by Chinese and Malays. In 1948, the number of workers on estates (100 acres and over) was 300,000 or more. The total number working on smallholdings (less than 100 acres) probably exceeds 400,000. It is estimated that at least one-third of the total working population in Malaya gains its livelihood entirely or mainly from rubber.

Rubber growing is by far the most important industry in Sarawak, where 95 percent is grown by smallholders. Although North Borneo has more varied resources, rubber is the principal industry as well as the chief export and leading source of revenue. Brunei relies largely on oil, but rubber is the chief agricultural product. Singapore is a leading world market for rubber.

Malayan rubber production in 1948 reached an all-time record of 698,000 tons, exceeding the 1947 figure by 52,000 tons. The highest recorded prewar production was 547,000 tons in 1940. Owing to the direct and indirect effect of terrorist activities and to the probable end of the "flush yields" following the rest period of 3 1/2 years or more during the Japanese occupation, it is unlikely that the 1949 output will be as high as that of 1948. In the British areas of Borneo, rubber production was approximately 60,000 tons in 1948.

Rice.—Prior to the war, rice production in Malaya was approximately one-third of the total consumption. The present total consumption of rice is abnormally low, imports are limited, and only a low ration of rice is possible.

The total rice production for the 1948-49 season, wet and dry padi, is estimated at 278,000 tons, a low yield due to drought. About 332,000 tons of rice, wet and dry, were produced during the 1947-48 season, and 455,000 tons were imported mainly from Burma and Thailand in 1948. The present area of wet and dry padi totaled over 1,000,000 acres as compared with the highest prewar level—743,000 acres—in the 1940-41 season. The drastic effect of the recent drought has reemphasized the need for more widespread irrigation, and plans for the next decade aim at irrigating some 750,000 acres of new ricelands.

Cocoanuts.—The total area under coconuts at present is estimated at approximately 512,000 acres, compared with the 1940 estimate of 600,000 acres. Coconut oil production in Malaya totaled 93,000 tons in 1948 as compared with 96,000 tons for 1947. Penang and Singapore millers are dependent mainly upon Indonesia for their supplies of copra in order to supplement the small availabilities of Malayan copra. During the latter part of 1948, many coconut mills in Singapore and Penang were forced out of business owing to the high production costs. The remaining mills were compelled to curtail production by almost 50 percent mainly because of the high price of Indonesian copra. This situation has not improved materially thus far in 1949, particularly since Indonesia is requiring much of its own copra output for the local milling industry and will export direct to consuming markets. In 1948 coconut oil represented 2.8 percent of the value of Malaya's total exports (ranking after rubber and tin). Copra exports were 2.3 percent of total exports.

Palm Oil.—Total acreage at the present time is 78,405, almost entirely on large estates. With the relatively remunerative prices, palm oil estate owners have been fortunate in being able to rehabilitate their estates. Approximately 33 estates with a total of 70,828 acres are now in production. Palm oil production in 1948 amounted to 45,257 tons as compared with 11,756

in 1946 and 39,115 tons in 1947, and a peak production of 57,972 in 1940. Estimates for 1949 indicate an increase in palm oil production over 1948. During 1948, palm oil constituted 1.9 percent of Malaya's total export trade.

Pineapples.—Malaya occupied second position in world production of canned pineapples during the 1935-37 period, supplying an average of 27 percent of the total as against Hawaii's 63 percent. During that period a total of 60,000 acres (consisting largely of "catch crop" on rubber estates) was devoted to pineapple growing. In 1945, however, only 3,000 acres of pineapple were bearing, but by the end of 1948 about 15,000 acres were planted, with 5,000 acres bearing. The total output of 229,819 ctns for the two postwar years from October 1946 to September 1948 was approximately 4 percent of normal prewar production for a similar period. Production has not increased as expected since that time, owing primarily to a drought during the latter part of the growing season.

Forestry.—Many areas of Malaya are heavily forested and produce valuable woods used for building construction, ship building and repairing, furniture manufacturing, and other purposes. The lumbering and sawmilling industry is an extensive one but, because of the dispersion of stands of commercial types of timber, it is made up primarily of a large number of comparatively small and generally self-contained units. At the end of 1947 there were 10,851 square miles of forest reserves.

Fisheries.—Despite its long coastline, Malaya's fishing industry is of small importance. This is due largely to the lack of the use of modern equipment, a factor which in turn is related to the small demand and to limited competition from other producing areas. Various excellent varieties of edible fish are found along both coasts but substantial quantities of dried, salted, frozen, and canned fish are nevertheless imported from Thailand and other countries.

Minerals.—**Tin.**—Malaya's second major industry is tin mining. Prewar Malaya was the world's largest producer of tin ore, accounting for approximately one-third of world production. Production of tin ore in 1948 totaled 59,753 tons as compared with 35,838 tons for 1947, or an increase of about 67 percent. Had the country been free of political disturbances, further expansion would have occurred. Malaya nevertheless regained first place in world production of tin ore in 1948, a position which had been held by Bolivia in 1947. There are three smelting plants, one in Singapore and two in Penang, which treat the ore from local mines and ore shipments from neighbouring areas. Exports are ordinarily in the form of ingots, bars, or slabs. With a smelter capacity of more than 130,000 tons a year, Malaya was the world's principal producer of tin metal before the war,

a position which was lost to the United States in 1946 and 1947, but regained in 1948. Production of tin ore in 1949 will probably exceed the 1948 level. In 1948, tin constituted 12.4 percent of Malaya's total exports, shipments of this metal to all countries amounting to US\$100,800,451. The United States took 62.2 percent of Malaya's tin exports by value. The quantity of total exports was 47,215 long tons.

Coal.—Coal is produced for local demand, but because of its low calorific content it is not exportable. In 1948, 375,460 tons of coal were produced, compared with 226,301 tons in 1947, and a prewar annual average of more than 500,000 tons. Electrical power for the dredges in the tin mines has been dependent on coal supplies, but greater reliance in the future will be placed on hydroelectric plants and Diesel oil. Malayan railroads, however, are required by law to use locally produced coal.

Other minerals.—Before the war, Malaya produced other minerals such as bauxite, tungsten, manganese, iron ore, ilmenite, and gold. Mining of bauxite was negligible from the liberation until the end of 1947. During 1948, Canadian, British, and Australian aluminum companies actively engaged in prospecting for bauxite in Malaya, and it is believed that substantial deposits of high-grade bauxite have been located in southeast Johore. Manganese deposits in Malaya were virtually worked out before the war and there has been no production of this mineral since the reoccupation. Of the tungsten ores, the only large known deposits of scheelite was worked out before the war and postwar production of wolframite has been negligible. Plans for the only extensive working deposit of iron ore located in the State of Trengganu provided for production of 600,000 tons in 1949. In 1948, production of ilmenite as a byproduct of tin amounted to 12,705 tons. Gold production, which amounted to 5,312 fine ounces in 1947, increased considerably in 1948 to a total of 10,212 ounces.

Industry.—Malaya has no large-scale manufacturing industries, but does have many secondary industries which play a minor role in the economy. The processing of agricultural products, tin smelting, rice milling, oil mills and refineries, pineapple canneries, rubber milling, and the manufacturing of sagu and tapioca are the primary manufacturing industries. There are also countless small handicraft workshops and, in Singapore, a variety of small factories. Many of these, such as breweries and distilleries, soft-drink bottling works, engineering and foundry works, shoe factories, asbestos, concrete, and steel pipe industries, and a plant for the manufacture of dry batteries, depend almost entirely on imported raw materials.

The postwar era has seen a considerable growth in industrial activity, owing in part to the prevalence of a

sellers' market and in part to the attraction of capital by comparative political stability and anticipated economic prosperity of the country. Furthermore, because of greatly increased ocean freight rates since the reoccupation and the absence of competition from Japan, local industries have become more competitive in the Malayan market. The local governments have tended to encourage the establishment of secondary industries in the hope of expanding and developing a prosperous export trade. American capital has been attracted to Malaya since the end of the war, but the United States dollar shortage has compelled local governments to resist the establishment of American manufacturing enterprises unless it is possible for them to show that they will be able to provide either a United States dollar saving or a United dollar earning capacity.

TRANSPORTATION

Highways.—The main road system of the Malayan Peninsula connects the more productive west coast area of Malaya and links it to Singapore in the south, and Thailand in the north. There is also a main road across the peninsula to Kuantan on the east coast. Further north on the east coast there is a road from Kuala Trengganu to Kota Bharu, while in the south, there is a road from the east coast to the west coast and from Singapore to Mersing on the east coast. Bus services now operate on 6,490 miles of road which comprise all major and most of the minor roads in the peninsula. It is estimated that over 122,000,000 passengers were carried during 1948. During the year an extensive program of re-surfacing of roads was carried out in Singapore involving one-fifth of the total area of municipal roads.

The total mileage of roads and bridlepaths in North Borneo at the end of 1948 amounted to 956, of which about 600 were narrow bridlepaths. Although efforts were made to maintain the present roads, the construction and maintenance of roads in North Borneo were hampered because of lack of equipment. Delivery of new equipment from the United Kingdom was far behind schedule.

There is no extensive road system in Sarawak and Brunei and the main centers of population are dependent on river and sea transport for freight and passenger communications.

Railways.—The Government-owned Malayan Railway is a vital factor in the communications of the country. The main line runs from Singapore in the south to Prai in the north opposite Penang Island. A branch line runs from Bukit Mertajam (5 miles south of Prai) to Padang Besar on the Thai border, where a connection is made with the Royal State Railways of Thailand. Branch lines connect the main line to Port Dickson, Port Swettenham, Teluk Anson, and Port Weld. The east coast line which ran from Gemas to Tumpat, establishing a

second connection with the Royal State Railways of Thailand at Sungei Golok, was partly dismantled by the Japanese, and the rails and undamaged bridge spans between Mentakab and Krai (200 miles) removed. During 1948, relaying of the east coast track was completed as far as Jerantut, 32½ miles north of Mentakab, and bridges were restored, making it possible to reopen 17½ miles of track and to operate trains in Kelantan as far south as Krai.

The Government-owned North Borneo Railway, which provides the principal means of communication on the west coast and the interior, has been an important factor in the development of the west coast of North Borneo. From Jesselton to Beaufort it passes through well-populated country and services many rubber estates. From Beaufort, a branch line runs down to the coast at Weston (connected by launch with the port of Victoria on Labuan Island) passing through large and small rubber estates. Despite the precarious locomotive and rolling stock position, the traffic handled by the railway during 1948 was at record levels. The future of the railway is uncertain and a commission of inquiry is to decide whether to rehabilitate the railway or build a highway in its place.

Sarawak's only railway, a meter gauge between Kuching and the quarries 7 miles to the south, has not been in operation since the end of the war.

The Shell Oil Company maintains a light railway in Brunei about 8 miles long from Seria to Badas which the public is also permitted to use if space is available. This is the only railway in the State.

Inland Waterways.—Inland waterways play a relatively unimportant part in Malaya's transportation system. However, in North Borneo, Sarawak, and, to a lesser extent, Brunei, the main mode of transportation in many cases consists of the numerous inland rivers and their branches.

Ocean Shipping.—The most important seaports in the Federation of Malaya are Penang, Swettenham, Malacca and Port Dickson, in that order, all located on the west coast. The east coast is not suitable for seaports with the exception of Kota Bharu, which is located in the North-Eastern portion of Malaya. Clearance of the wrecks sunk during the war alongside the Coastal Wharf at Port Swettenham proceeded during 1948 and by October the work had been completed.

Singapore is considered the most important seaport in Malaya by virtue of its entreport trade and as the leading point for the shipment of rubber and tin and other produce. In 1948, the volume of cargo handled was the highest on record of any peacetime year. Without including fuel oil, imports totaled 1,522,358 tons, while exports totaled 1,239,985 tons. The number of vessels handled, excluding harbor craft and lighters, was 2,303, with a total net registered tonnage of

6,078,985. Rehabilitation work planned for 1948 was completed in full.

Sandakan, Labuan, Jesselton, and Kudat are the main seaports in North Borneo. The wharf at Sandakan was repaired during 1948 and extended to its prewar length of 425 feet. At Kudat, where cargo formerly had to be lightered because of the unsuitability of the wharf for berthing, the wharf has been extended and local trading vessels are now berthing there.

Sarawak's principal port is Kuching with steamship services plying between that city and coastal ports and also serving Sibn and other Rejang River ports. The tonnage of vessels entering and leaving Sarawak during 1948 was 1,600,699 and 1,379,674, respectively.

Large oceangoing ships cannot reach such ports in Brunei as Kuala Belait, Tutong, Muara, Brunei Town, and Bangar. Connections for such vessels are made at the Island of Labuan, which lies some 35 miles from Brunei Town in a North-Easterly direction. The chief trading centers are Kuala Belait and Brunei Town.

Air Routes and Ports.—The Federation of Malaya internal air services, established in 1947 and operated by Malayan Airways Limited, continued to expand during 1948. Scheduled movements of aircraft within the Federation rose from a total of 527 in January 1948 to 1,014 in December 1948. The number of passengers embarking in the Federation increased from a total of 1,418 in January 1948 to 3,735 in December. Mail and cargo traffic showed similar increases during the year.

Singapore was chosen in 1948 as one of the three main world air centers by the International Air Transport Association. Both international and domestic air services through Singapore increased considerably during 1948 despite limited aerodromes and ground-air facilities. The main civil airport for Singapore was Kallang, which provided facilities for both land and flying boat movements. Heavier aircraft of the Constellation class operated through the Royal Air Force station at Tengah.

In North Borneo the year 1948 was devoted to the preparation of plans for the construction of air-strips at Jesselton, Sandakan and Tawau, and for bringing the existing air-strip at Labuan up to the standard necessary for its use by long-distance aircraft. The future development of air communications in Sarawak hinges on the completion of a new airfield now under construction at Kuching.

There are no airfields or landing grounds in Brunei.

COMMUNICATION FACILITIES

The number of telegraph offices and railway telegraph agencies in the Federation was 282 in 1948. Teleprinter circuits numbered 18 and phonogram circuits 173. The number of telephones in service was 17,553, with 5,049 applications outstanding for lack of equipment. The arrival of

228 private branch exchange telephone switchboards early in 1948 improved the facilities available for the larger subscribers. The radiotelephone link using high-frequency equipment between Kuala Lumpur and Kuala Lipis was extended to Kuantan and Kuala Trengganu and an additional link was added between Kuala Lumpur and Penang.

The rehabilitation of overhead trunk telephone and telegraph routes in Singapore was completed during the year. Radiotelegraph services to North Borneo, Sarawak, Brunei, Christmas Island, and Siam were maintained in 1948 and in addition there was a radiotelegraph service to shipping at sea and also short-range radiotelephone service to small coastal craft. At present, there are over 11,000 telephones in service in Singapore.

Until the first part of 1949, Government-owned Radio Malaya was the only broadcasting station functioning in Malaya. In August Rediffusion (Singapore) Limited, a privately owned wired system station, commenced operations with stations in Singapore and Kuala Lumpur.

The total number of telephones in use in North Borneo in 1948 amounted to 409. In 1948, the Government entered into an agreement with the Cable and Wireless Limited whereby the company will handle all of the colony's external telegraphic services.

There are 19 wireless telegraph stations in operation in Sarawak. Twelve telephone exchanges were in operation in 1948. The total mileage of telephone lines was approximately 617 in aerial and underground routes and 1,550 in open wire routes.

In Brunei the Government maintains a small public telephone service with a 50-line switchboard in Brunei Town. Direct radiotelegraph service is maintained between Brunei and Singapore radio. The Brunei Wireless Station is also in direct communication with Jesselton, Labuan, Kuching, Miri, and Limbang.

FINANCE

Currency and Exchange.—The basic unit of currency in the Federation of Malaya and the Colony of Singapore is the Straits or Malayan dollar, which is linked to the pound sterling at 2 shillings 4 pence. The United States dollar equivalent of the Malayan dollar is computed at the official London/New York cross rate and is \$81.00 to US\$0.326667 (post-devaluation). The average value of currency notes in circulation in December 1948, including notes in circulation in the Federation of Malaya, the Colonies of Singapore, North Borneo, and Sarawak, and the State of Brunei, amounted to \$400,189,966.24 (US\$188,156,116). The note circulation in 1948 had decreased by approximately \$12,000,000 (US\$5,642,000).

Banking.—There are 18 members of the Malayan Exchange Banks Association in Malaya, including a branch office of one American bank. Although there are more than 18 banks in Malaya, those listed under the

Malayan Exchange Bank Association are the largest and most important.

The average interest rates on loans and overdrafts is about 4 percent. In general, no interest is paid on deposits in Malaya by the European banks, although small rates are sometimes paid by certain Chinese banks.

INSURANCE

There are approximately 190 insurance companies operating in Malaya, with fire, marine, and auto risks the predominant activity. Although it is necessary at present for any non-British insurance company which does not have an office in London to deposit \$100,000 before it is allowed to write policies in Malaya, there is legislation pending which will abolish such a procedure. The only compulsory insurance in Malaya is third-party auto insurance.

FOREIGN TRADE

Foreign trade statistics of the Federation of Malaya and the Colony of Singapore (referred to collectively as Malayan trade) are compiled in a central office and apply to both as a single unit, but do not include movement of goods between the two areas. Most of the area's foreign trade flows through Singapore, followed in importance by Penang and Port Swettenham. In 1948, for example, 64.3 percent of Malaya's exports and 72.6 percent of imports cleared through Singapore.

Malaya has normally been a creditor country, with exports of rubber, tin, copra, palm oils, sago and other indigenous products, even apart from those represented by transshipments, generally well in excess of the value of purchases for consumption of food-stuffs, textiles, iron and steel, machinery, petroleum products, vehicles, etc.

While Malaya has had an adverse balance of trade since the end of the war, its net dollar earning exceeded those of any other member of the sterling area. Total Malayan merchandise trade for 1948 amounted to US\$839,604,537 in imports and US\$810,644,118 in exports as against US\$642,931,083 in imports and US\$608,809,023 in exports for 1947.

The adverse balance for 1948 was due mainly to the abnormal imports of rehabilitation goods and to the fall of rubber prices which caused a decrease of rubber exports during the latter part of the year, while that for 1947 was accounted for entirely by the large volume of rehabilitation goods which were imported during that time. (The excess of imports in trade with the United Kingdom alone in 1947 was US\$26,500,000; in 1948, US\$49,200,000.)

Raw materials, such as rubber, tin, coconut oil, copra and palm oil, which accounted for 69.1 percent of the total value of the 1948 export trade, are the chief exports. In 1948, shipments of rubber, which amounted to 979,000 tons, provided the largest increase in export trade, while tin with a total of 47,215 tons was 42.5 percent below the 1939 figures.

Imports in 1948 consisted primarily of food products (mainly rice, sugar and wheat flour), cigarettes, textiles (chiefly cotton piece goods), and rubber and copra (for reexport). These and a dozen or more other commodities were valued at US\$558,924,862 or 66.4 percent of the total value of 1948 imports. Value of imports of rice (the staple food of the area), sugar, cigarettes, and cotton piece goods increased considerably in 1948 compared with 1939. Rubber imports in 1948, which totaled 300,000 tons, were 68.7 percent more than 1939 figures. While the value of copra imported in 1948 was 647.5 percent more than in 1939, this was due to high-level postwar prices, the tonnage having been 28.7 percent less than the 1939 total. Wheat flour imports since the war have increased in quantity and value, annually, above imports during the period 1939-40.

Tariff Structure:—The position of Singapore as one of the world's greatest centers of entrepot trade has been developed to a large extent through the provision of free-port facilities. The only duties chargeable on imports into Singapore are actually in the form of excise taxes on wines, spirits and brewed liquors, tobacco, cigars and cigarettes, and gasoline. Motor vehicles of non-British manufacture, although allowed entry free of duty, can be licensed only upon payment of a registration tax of 15 percent ad valorem.

The Federation of Malaya imposes customs duties on a variety of imports.

Controls on Trade:—Malayan export control regulations require licenses for most articles exported and confer on the control authorities "absolute discretion" to issue general and special export licenses, to impose the terms and conditions to which they are subject, and to cancel or revoke them.

A license is required for all imports entering Malaya and Singapore. As a result of the current intensification of the sterling-area dollar problems, the import control schedule has been recently revised, according special treatment to imports from the United States, the Philippines, Japan, Canada, and other dollar areas in the Western Hemisphere.

Under Malayan foreign exchange control, residents of the United States and other "American Account Countries" are permitted to maintain bank accounts in Malaya in Straits dollars with the prior approval of the Exchange Control Office. Deposits to such accounts are subject to approval of the authorities, but when this approval is obtained the funds are available for use in Malaya or may be remitted to the account holder without further formality. Income from investments in the area can be remitted abroad in this manner, while the granting of permission for the remittance of proceeds from the disposition of securities, real estate, or other capital assets depends upon the circumstances governing each particular case. Remittances from abroad may be made to Malaya through banks without prior approval. Overdrafts, whether clean or secured, in the accounts of nonresi-

dent individuals are normally not allowed, as is the case with respect to nonresident companies which do not maintain a branch office with capital or assets in Malaya.

Travellers to Malaya are not restricted in the amount of funds they may take with them in the form of foreign currency, travelers' checks, travelers' letters of credit or United States currency. Such instruments may be negotiated by banks at official rates, but reconversion of any excess drawing to foreign currency (i.e., U. S. dollars or other hard currency) requires exchange control approval. A traveler is required to obtain a permit to take out of Malaya United States dollars in excess of the equivalent of S\$85.

Sales Taxes and Price Controls:—While there is no sales tax as such, an entertainment tax of 33 1/3 percent is levied on motion picture theatre tickets. This tax is not levied on any other forms of entertainment.

All documents and receipts are subject to a nominal stamp tax.

Price controls are in effect in Malaya and Singapore on many items, including most foodstuffs and consumers goods.

Special Packing Considerations:—Packing, listing and marking of shipments are of extreme importance when goods are sent to a country where there is a uniformly high humidity, casual handling, and widespread pilferage. Inside wrapping, greasing, insulating, and stowing should be given every attention. Soft or corrugated fiber cases should be used only when absolutely unavoidable. Hard fiber is suitable for light materials but wood remains the most suitable materials. Marking should be clear and strictly in accordance with the agent's or consignee's instructions. Packing lists, when applicable, should be supplied with shipping documents.

TRADING POTENTIALS

No conclusive information or reliable estimates of total national wealth, bank deposits, or other liquid resources, national income, or retail sales are available. The standard of living of workers is in general higher than that of workers in India, China, and Indonesia. High rents, the high cost of all services, high consumer goods costs, and unduly high retailers' profits contribute to an extremely high cost of living.

Economic conditions are governed by the price of rubber. When the price is high, the country prospers, stocks are buoyant, labour is generally contented, and trade for the most part flourishes. Other less important but contributing factors include the measure of prosperity of the tin industry and the maintenance of Singapore's entrepot trade with Borneo and Indonesia.

Until the latter part of 1948 Malaya experienced a postwar boom. Thereafter, however, business began leveling off and recently has worsened. Rubber prices have declined, the tin industry is still not up to prewar production, and there has been a reduction in entrepot trade with Indonesia. Political disturbances in the Federation

have created unemployment and reduction in purchasing power. Business houses overstocked with consumer goods have suffered substantial losses due to the decline in world prices.

Although no sales figures for automobiles are available in Malaya, there were 64,773 registered in 1948 as compared with 51,018 in 1947. The 1940 figures indicate a registration of 47,266. There is still a demand for automobiles, although less than in 1948.

Newspaper and magazine circulation for Malaya in 1947 totalled approximately 269,000. One of the largest newspapers in Malaya has indicated that its net sales in 1948 increased by 15 percent over the 1947 figure.

The number of commercial and residential consumers of electricity in the Federation of Malaya in 1947 amounted to 44,209 as compared with 32,412 in 1940. Similar figures are not available for the Colony of Singapore.

There were 22,710 telephone subscribers in 1947.

Construction indices are not available. There was a considerable increase, however, in construction activities, particularly residential homes, in 1948 compared with 1947. Other types of building in both Singapore and the Federation have been confined mainly to rehabilitation works, particularly on rubber estates and tin mines, which have absorbed a large proportion of the available building materials.

There are no outstanding racial or religious factors which have a pronounced effect on demand for particular commodities. Singapore, with a predominately Chinese population, has proved to be a very good postwar market for many types of consumer and luxury goods, particularly toilet articles, household appliances, clothing, pharmaceuticals, foodstuffs, and tobacco.

The Federation of Malaya has a slightly different racial distribution, but the variety of peoples does not appear to have had any effect upon the demand for Western products. While American consumer goods are usually preferred, the supply has in most cases been inadequate as a result of import restrictions.

The requirements for housing and clothing are similar to those in other countries with a tropical climate and an abundance of rainfall. There still is inadequate housing in the cities for the middle and lower classes of the native population.

MARKETING FACTORS

Singapore is the principal port and the country's commercial and transport center. It is the base of operations for most of the banks, insurance companies, shipping firms, import-export houses, and for several industries, including a tin smelting enterprise. All types of goods are distributed from Singapore throughout the Federation. Penang distributes goods to the northern and western parts of the Federation of Malaya, and is an important export outlet for rubber and tin. Two tin smelting plants are located there. Kuala Lumpur, 200 miles northwest of Singapore, is the capital of the Federa-

ECONOMIC SURVEY OF BURMA

tion of Malaya and headquarters of Malayan Railways, and is developing into a center for the manufacture of rubber products, foodstuffs, toilet articles and other goods. It receives goods from Port Swettenham and also from Singapore and functions as a redistribution point for central Malaya. Ipoh, 105 miles northward from Kuala Lumpur and 75 miles southeast of Penang, is a collecting and distributing point of some importance, as are Malacca on the west coast about 125 miles from Singapore, and Kota Bharu on the east coast near the border of Thailand. Other cities, towns, and ports of minor but sometimes special importance in their particular sphere are Johore Bahru, Port Swettenham, Seremban, and Alor Star.

It is estimated that there are approximately 100 large and medium-sized well-established, old-line European import-export houses in the country, of which perhaps 15 or more are very large and have extensive interest in local industries, including tin mines and rubber plantations. These firms act in the capacity of manufacturers' representatives, indent houses, and also import for their own account, carrying a stock of commodities which enjoy a steady sale. In addition, there are approximately 30 large Chinese and Indian importers who usually specialize in the importation of one type of commodity, for example, textiles, fresh fruit, or leather.

The larger European import houses generally control the detailed distribution of a few commodities through their own sales organizations, and as regards other types of imports make direct sales to wholesalers who in turn distribute. In this latter case, the importer loses control of the distribution when the sale is made to the dealer, who, in most cases is likely to be more concerned with immediate profit than with the progressive distribution of a particular commodity.

Since the end of the war there has been a tendency for Chinese and Indian dealers to import direct, eliminating the import house, because large importers' profits have been possible, although this factor is of less importance now with the tightening of credit facilities and competition from prewar importers. There are still, however, a multitude of small marginal firms, mainly Chinese, which act both as importers and wholesalers. Another peculiarity of this market is that almost all retailers also import direct if this appears profitable to them.

Except for the facilities provided by the Harbour Board, public warehousing space in Singapore is quite limited, with practically no new space under construction. A similar situation prevails in the Federation of Malaya. Firms long established in purchasing, reconditioning, and packing or handling bulk export commodities maintain their own facilities for the most part.

There is no system of commercial credit service.

There are chambers of commerce in Singapore, Alor Star (Kedah), Ipoh (Perak), Kota Bharu (Kelantan), Kuala Lipis (Pahang), Kuaka Lumpu

Area and Boundaries:—The Union of Burma occupies an area of 261,610 square miles, which is just slightly less than the area of Texas. The country extends geographically from approximately 92° to 102° east longitude and from approximately 10° to 28° north latitude. Burma is bounded on the east by Thailand, French Indochina, and China; on the north China and India; on the west by India, Pakistan, and the Bay of Bengal; and on the south by the Andaman Sea and the Gulf of Martaban.

Natural Regional Divisions:—The principal regional divisions are (1) the sparsely populated mountainous area in the west and north inhabited by a variety of non-Burmese races; (2) the Shan plateau in eastern Burma with its rich resources of lead, zinc, copper, and silver; (3) the Tenasserim coast, a narrow strip with tin and tungsten ores which projects 50 miles southward along the Malay peninsula; and (4) the Irrawaddy Valley and adjoining Sittang

(Selangor), Kuala Trengganu (Trengganu), Malacca, Penang, and Seremban (Negri Sembilan).

Advertising media include billboards, window and counter displays, newspapers, magazines, and motion picture slides. There are three European advertising agencies in Singapore and innumerable Chinese agencies located both in Singapore and various cities in the Federation of Malaya. With the possible exception of widely used consumer goods, it can be said that advertising in this market shows poor results.

As a general rule, exporters are advised to stipulate that payment for exports to Malaya be made by confirmed irrevocable letter of credit. Document against payment, documents against acceptance or consignment terms may be allowed in the case of old-established connections of good standing, but only where full assurance has been received that valid official import and exchange licenses have been obtained. Purchases from soft-currency countries permit the retirement of drafts up to 90 days after sight while purchases from hard-currency countries are paid customarily by sight drafts. With regard to the importation of goods originating in soft-currency countries, it is not customary to purchase forward exchange; however, goods from hard-currency areas are normally covered by forward exchange contracts.

In Malaya dealers are prone to speculate and are quite likely to incur losses as a result of pricing for high unit profits. This is influenced by the fact that many dealers, especially the Chinese, operate to the limit of their credit facilities for which they pay on the average of 1 percent per month (about three times the rate for credit available to established importers) and must therefore at times move their merchandise at a loss in order to acquire funds for further trading.

lowland which are the heart of Burma with most of the agricultural land and population. The entire rice surplus of Burma, which formerly provided about 40 percent of the rice products normally entering world trade, comes from the Irrawaddy delta and nearby areas. Thus, with mountains forming the entire land frontier, the economic and political life of Burma is confined mainly to the valleys of the Irrawaddy, the Sittang and the Salween rivers which run in a north-south direction to the Andaman Sea and the Gulf of Martaban.

Climate:—The climate throughout, at low to moderate altitude, is tropical, with a well-defined rainy season from the middle of May to the middle of October. The rains accompany the southwest monsoon, which comes from the Indian Ocean. The Arakan area has an average rainfall of about 200 inches; Rangoon, the capital, about 100 inches. The west of Burma, lying in the lee of the Arakan range, has a rainfall of from 20 to 50 inches and is known as the dry belt. The city of Mandalay lies in this region and receives a rainfall of a little over 30 inches. The hottest season of the year comes immediately before the rains in March, April, and early May, and immediately following the rains in October, when shade temperatures of nearly 100° may be expected in the Irrawaddy Delta. December and January are the coolest months, when shade temperature in southern Burma may fall to 65°. The Irrawaddy Delta and the coastal areas are very humid throughout the year. In Upper Burma, however, hill stations ranging from 1,000 to 4,000 feet provide a comparatively cool and pleasant climate.

Population:—The latest census, taken in 1941, placed the total population at 16,823,798. Burma is essentially a rural country, only two towns having more than 100,000 inhabitants—Rangoon with 501,219 (1941), and Mandalay with 163,527 (1941). During 1948 and 1949 there has been a considerable increase in the population of Rangoon, which is currently estimated at close to three-quarters of a million.

Based on the 1941 census, Burma's population density was the lowest in Southeast Asia, with 72 to the square mile.

Language:—The latest break-down of Burma's population into language groups is based on the 1931 census, which showed that, out of a total population of 14,647,756, indigenous languages were spoken by 13,358,904; Indian languages by 1,079,820; Chinese languages by 178,316; European languages by 27,895; and other languages by 2,821. These statistics do not measure the extent to which individuals use more than one language. According to the 1931 census, approximately 1.9 percent of the male population and 0.4 percent of the female population were believed to be literate in English.

Form of Government:—Under the Government of India Act of 1935, Burma was detached from British India

(April 1, 1937) and made a self-governing unit of the British Empire. Burma became an independent nation completely outside the British Empire and Commonwealth on January 4, 1948, and is now a sovereign independent republic known as the Union of Burma. The Government is headed by the President, who is elected by both Chambers of Parliament. The Prime Minister, who is the executive head of the Government, is appointed by the President on the nomination of the Chamber of Deputies. The Cabinet Ministers are appointed by the President on the nomination of the Prime Minister.

Under the provisions of the Constitution, Parliament is to be composed of two Chambers, both of which are elected by the people. The Chamber of Nationalities, which would be the upper house, would comprise 125 members and would provide specific representation by area. The lower house, the Chamber of Deputies, is composed of 250 members elected in proportion to the population. The Chamber of Nationalities has not yet been chosen, and the Chamber of Deputies exercises full legislative powers.

Weights and Measures:—English weights and measures are used in foreign trade, including the long ton of 2,240 pounds, the hundredweight of 112 pounds, and the imperial gallon equal to 1.2 American gallons. Weights used in native trade are the viss, which equal 3.60 pounds, and the kyatt, which is equivalent to 16.33 grams.

PRODUCTION

Essentially an agricultural country, the Burmese economy is dependent largely on the production of rice, of which Burma is the world's greatest exporter. The Irrawaddy Delta and the lower valleys of the Sittang and Salween rivers, together with parts of the Arakan and Tenasserim coasts, constitute an area of over 10,000,000 acres devoted almost exclusively to rice cultivation. In 1940-41 production of rice paddy took up approximately two-thirds of Burma's total acreage, or 12,518,000 acres of a total cultivated area of 18,814,798. Rice acreage for 1948-49 was estimated at approximately 10,240,000. Civil strife is expected to cause a decline of 20 percent in rice acreage in 1949-50, with a resultant exportable surplus of approximately 850,000 long tons. In 1948 Burma exported 1,216,490 long tons of rice, most of which was moved to port prior to the intensification of civil strife. Prewar exports averaged approximately 3,000,000 long tons.

Other crops and the approximate acreage for 1948-49 (with acreage sown and matured in 1940-41 in parentheses) are estimated as follows: pulses, 1,000,000 (1,449,000); sesamum, 887,000 (1,353,000); peanuts, 419,000 (781,000); and cotton, 190,000 (418,000). Statistics on acreages in minor crops for 1947-48 (with 1940-41 in parentheses) are millet, 565,000 (450,000); maize, 198,000 (214,000); and tobacco, 132,000 (134,000).

In 1941 about 111,000 acres of land were devoted to rubber, with production estimated at about 14,000 long tons. As a result of the war, production has fallen off considerably, probably 25 percent of the prewar acreage having been destroyed.

It has been estimated that forest occupy as much as 145,300 square miles, or 56 percent of the total land area. The Forest Department in 1940 estimated that accessible teak forests occupied about 17,700 square miles. Before the war Burma exported approximately 225,000 tons of teak annually, valued at over \$9,000,000. The export of teak is currently at a standstill because of the inability of operators to get logs to milling and port facilities.

Prewar Burma was a large producer and exporter of petroleum and petroleum products, but this industry has not been rehabilitated since the war because of unsettled political conditions. Burma is consequently a net importer of petroleum products at the present time.

Normally an important exporter of minerals, Burma since the war has exported only relatively small quantities of refined lead, zinc, tin, wolfram, and antimony concentrates. The production of these minerals is currently at a standstill because of transportation and other difficulties resulting from continued civil strife.

TRANSPORTATION

Railways:—The Burma Railways are state-owned and normally operate freight and passenger service over 2,060 miles of 1-meter-gage track. In June 1948 only about 600 miles were in operation because of the civil war. The main line is from Rangoon to Mandalay and on to Myitkyina. Other trackage runs from Mandalay to Lashio. Two branch lines run from Rangoon west to Bassein and northwest to Prome, and the line to the south from Rangoon to Moulmein and on to Ye, where it was connected with the Burma-Siam railway during the war. This international connection, however, has not operated since the war.

Inland Waterways:—The Irrawaddy river is navigable for 600 miles, and its tributary, the Chindwin, for 300. These two great rivers, together with the Sittang and the Salween, have been for centuries the great arteries of transport for Burma's commerce. In other parts of Burma there are many less important rivers and streams which are mostly navigable by small craft. Of particular importance is the area of the Irrawaddy Delta, which is so cut up by streams that inland navigation is the only feasible means of transport.

Highways:—Because of the general use of water transport Burma's roads are not extensive. Of a total prewar mileage of 17,000, there are 6,263 miles of all-weather vehicular roads. Many thousands of miles of road are usable during the dry season only.

Aviation:—The main airport for Burma is Mingaladon, about 12 miles from the center of Rangoon. It is in every sense an international airport, handling considerable international

traffic. A number of the major air services use it. Rangoon also has been a sort of call for British Overseas Airways Corporation flying boats, which land in the Rangoon river. Burma has some 19 other airports serviceable for small to medium-sized aircraft. The Government operates a small internal air service for both passengers and freight and is believed to be planning to enlarge and extend this service. The nationalized Burmese airways have chartered the services of private airlines in view of the importance of air transportation since the war.

Ocean Shipping:—The principal port is Rangoon, on the Rangoon river about 21 miles from the Gulf of Martaban. Considerable dredging is required to keep it open for medium-sized vessels with a draft not exceeding 27 feet. In 1948 oceangoing vessels entering the Port of Rangoon accounted for a freight tonnage of 2,042,009. This tonnage figure exceeded the combined total handled by the only other ports of any consequence, which are Kyaukpyu, Akyab, Bassein, Moulmein, Tavoy, and Mergui.

The port of Rangoon has seven sea-going steamer berths with a depth of 25 feet alongside at low water. Both anchorage and wharfage facilities at the port of Rangoon are frequently inadequate. A dockyard capable of repairing a medium-sized vessel is available. The shortage warehouse facilities at the port are adequate. The quay is served by one 40-ton crane on track, one 8-ton crane, and 14 3½-ton cranes, all mobile.

There are no free ports or zones in Burma.

COMMUNICATIONS

Before the war the Posts and Telegraphs Department had in operation 656 telegraph offices, about half being railway telegraph offices. The system at that time utilized 33,281 miles of wire. By the beginning of 1948 about 75 percent of the network had been restored to working order and was in operation. Because of insurgent uprisings in various parts of Burma and the seizure of local communications, no reasonable estimate as to the extent of present operations can be made.

The telephone system, apart from the exchanges in Rangoon itself, has suffered from the same conditions affecting the telegraph. At the beginning of 1947, the Telecommunications Department had in operation 53 main and 39 branch telephone exchanges. Thirty-seven of the main exchanges were connected to the trunk network. There were 1,450 telephone connections in Rangoon and 720 in other towns.

FINANCE

Currency:—The basic unit of currency is the Burmese rupee, equal to 16 annas. The denominations of notes in use are 1, 5, 10, and 100 rupees, with Indian silver and nickel-zinc coins in denominations of 1 to 8 annas used in changing the rupee. The rupee is linked direct to the pound sterling at 1 rupee equal 1s. 6d.

Burmese currency is managed by the Burma Currency Board, situated in London. This Board, which replaced

the Reserve Bank of India in the management of Burmese currency, was set up in 1946 and began operation on April 1, 1947. Reserve Bank of India notes overprinted "Legal Tender in Burma Only" remain legal tender pending replacement by new issues of the Burma Currency Board. The 1-rupee notes and some 5-rupee notes now in circulation are of the new issue. All 10- and 100-rupee notes are the overprinted Reserve Bank of India notes.

The exchange rate for United States dollars, which had remained constant for some time at Rs. 3.3 (telegraphic exchange rate for \$1), was changed at the time of the devaluation of the pound sterling to approximately Rs. 4.76=\$1.

The Government maintains an Exchange Control Board which deals with all applications for the purchase of foreign exchange. Dollar exchange is authorized only for the most essential purchases.

Banking.—Banking and insurance facilities are centered in Rangoon. The British banks affording full bank facilities are: Chartered Bank of India, Australian and China; Hongkong and Shanghai Banking Corporation; National Bank of India; Mercantile Bank of India; Lloyd's Bank; and Thomas Cook and Son. Chinese banks represented are the Bank of China and the Bank of Communications. There is one Dutch bank, the Netherlands Trading Company. Before the war the National City Bank of New York and the Yokohama Specie Bank of Japan both maintained Rangoon branches. Neither branch has been restored since the war. The Union Bank of Burma is the country's Central Bank.

Outside of Rangoon, banking facilities, in Burma are negligible. Remittances of funds to and from outlying points may be made through the Posts and Telegraphs Department and through Government treasury offices. The usual rate in negotiating commercial loans is from 6 percent to 8 percent per annum.

INSURANCE

The bulk of insurance is underwritten by British companies. There are 71 fire insurance companies, 38 marine insurance companies, and 37 accident insurance companies represented in Burma, and of this number 5 American companies, several Burmese companies, and some Commonwealth companies are represented.

There are no reliable figures available on life insurance companies, their number, or the amount of insurance in effect.

FOREIGN TRADE

Imports and Exports.—Burma is primarily an importer of manufactured goods and an exporter of agricultural raw materials. Preliminary reports on Burma's foreign trade for the calendar year 1948 indicate that exports were valued at US\$179,600,000 and imports at US\$242,200,000, the unfavourable balance of imports over exports amounting to US\$62,600,000. For comparative purposes, exports for the fiscal year 1937-38 were valued at \$188,480,000 and

imports at \$88,999,000, a favourable balance of trade of \$99,481,000. Before the war, Burma had a consistently favourable balance of trade.

Burma's postwar export trade is based preponderantly upon the rice industry which, before the war, provided exports averaging 3,000,000 long tons annually and accounted for 40 to 50 percent of the total value of exports. Rice exports for the calendar year 1948 amounted to 1,216,490 long tons. Teak exports in 1948 were estimated at 80,000 cubic tons in comparison with 225,000 in 1940. Minerals and ores which formerly provided about 12 percent of the value of exports furnished only 3 percent in 1948. Petroleum products which formerly supplied about 25 percent of the value of exports are now an important import.

Postwar imports have consisted chiefly of cotton textiles, petroleum products, machinery, iron and steel, animal and vegetable oils and motor vehicles.

As in the prewar period, Burma's trade is conducted almost exclusively with the sterling area. India is the principal market and ranks second to the United Kingdom as a supplier. United States trade with Burma continued to be of relatively minor importance, partly because of restrictions on purchases from hard-currency sources.

Tariff Structure.—Burma is a member of the imperial preference system and consequently accords preferential tariff treatment to imports from sources in the British Empire and Commonwealth, with India and Pakistan accorded the greatest degree of preference.

Controls on Trade.—Burmese rice, which is virtually the backbone of the economy, is exported entirely on Government account and shipped in accordance with allocations determined by the United Nations Food and Agriculture Organization. Rice allocations will be discontinued after January 1, 1950. Burma's other exports are subject to export license control. All foreign exchange receipts from foreign trade must be surrendered to the Government.

All Burmese imports are subject to import control, with restrictions particularly strict with regard to purchases from hard-currency areas. Licensed imports are limited to products which are considered to be essential to the Burmese economy.

Sales Taxes.—There was no sales tax in Burma prior to fiscal 1949-50. A sales tax and luxury tax were instituted early in that fiscal period, effective from November 1, 1949.

Special Packing Consideration.—In packing goods for Burma it should be remembered that in Rangoon they will receive rough handling. There is also serious danger of pilfering and looting. Paper cartons are particularly vulnerable to both rough handling and looting. American merchandise often arrives badly damaged as a result of inadequate packing and crating. Monsoon weather is very humid, and yellow pine crating tends to rot.

TRADING POTENTIALS

Purchasing power.—There are no statistics available regarding the national wealth of Burma. However, the country obviously has a considerable economic potential. For a population of about 17,000,000 there were 18,814,798 acres under cultivation in 1940 and 1941, and 19,031,102 acres were described as "culturable waste." Mineral resources are appreciable, particularly petroleum and lead; the Bawdwin Mine in the Shan States is said to be the largest of the world's lead mines. Mawchi Mine might rank first among individual tungsten mines and third among individual tin mines. These installations are at present shut down because of civil strife.

Bank deposits.—On September 9, 1948, banks held demand deposits of Rs.208,637,947 and time deposits of Rs. 31,409,268, or a total of Rs.240,056,215 (slightly less than US\$50,000,000 at the new rate of exchange).

National income.—It has been estimated that national income for the year ending September 30, 1939, was Rs. 1,225,536,000; the figure given for the year ending September 30, 1946, was Rs.2,385,000,000. However, the value of the latter at 1938/39 was only Rs.693,000,000.

Income by principal economic groups.—Dependable figures on income are not available. Two-thirds of the population follow agriculture as an occupation and most of the national income is derived from the rice crop. The majority of agricultural workers earn a very meager living from their small holdings and are not in a position to purchase imported articles. It has been estimated that 77.2 percent of the Chinese and 55.7 percent of the Indians were engaged in commerce, industry, and transport, compared with only 19.3 percent of the Burmans and other indigenous races.

The following figures relating to taxed income in the year ending September 30, 1949, are estimates (in millions of rupees): Total taxed income, 201.5; industrial profits, 6.6; industrial salaries, 40.0; salaries of state servants, 101.0; other salaries, 20.0; and other categories, 33.9.

The income of the majority of the population is below the tax-exemption limit.

Retail sales.—Retail sales figures are not available. In the absence of civil strife and of the necessity for trade restrictions there would be an extensive market, not only for textiles, and most consumption goods, but also for durable goods necessary for the mines, oil fields, rice mills, sawmills, and other factories, as well as transportation equipment to develop railways, roads, and river transport.

Other indicators of purchasing ability.—There are estimated to be 32,211 registered automobiles, including 4,526 passenger cars, 16,564 trucks, 6,037 jeeps, and 5,084 buses. A total of 2,934 radio licenses was issued from January 1, 1949, to August 31, 1949. In 1940 there were 6,321 licensed short-wave radio sets. There are approximately 1,800 telephones in operation in Ran-

FINANCIAL REPORTS

HONGKONG FREE MARKET

GOLD:—Highest & lowest rates per .945 fine hongping tael \$295½—285, equiv. to .99 fine tael and oz troy \$309.17—298.57 and \$256.93—248.12. Week's opening rate 294¼, closing 285½. Crossrate US\$39½ high, 38¾ low.

Macao and Canton market rates (.99 fine tael) respectively HK\$309½—297½ and \$310—297.

In March 1949 highest price was \$314½, lowest 302½ (for .99 fine tael) or average \$308½; last week's average \$303¾. In March 1949 crossrates were US\$49¼ high, 47¾ low, average 48½; last week's crossrate was lower by about 20% compared to one year ago.

Forward hedging interest, in favour of sellers, totalled 46c per week or 8¼% p.a. (on weekly average of \$290 per tael).

Factors influencing the price drop were (1) the inflow of gold from KMT official sources in Taiwan and Hainan, (2) lower overseas prices, (3) searches and confiscations in Hongkong and Singapore, (4) difficulties for cargo in transit to Goa and from there to India and Pakistan. Speculative unloading aggravated the decline. Taiwan sales

were as yet small but reports from Taipeh caused anxiety here and in Macao as KMT regime, under authority of newly resumed President Chiang, was trying to convert gold holdings of the treasury into foreign exchange for the purpose of financing war material and other commodity imports into Taiwan. In many centres of the Far East KMT agents offered bullion which depressed especially Manila prices to around US\$37 per oz.

Local forward sales aggregated last week 285,000 taels (.945 fine), a daily average of 47,500. Daily position average 127,000 taels. Spot sales: 53,000 taels of which 3000 exported (1500 to Bangkok, 500 Singapore, 1000 Indochina), 2000 consumed by goldshops and jewelers, and 48,000 taken up by interest hedging forward operators. Last week's imports about 8000 taels (all from Taiwan). Imports into Macao from Taiwan over 1500 taels and a smaller lot from South China.

US\$:—Highest & lowest rates in HK\$: notes 648½—638, DD 649½—639, TT 651¼—640. Crosses US\$2.454—2.50. Most business transacted at average rate of US\$15½ per HK\$100.

goon. (Insurgent activity prevents the maintenance of service more than a few miles outside the city.) Approximately 9,000 houses in Rangoon are wired for electricity. Data for areas outside Rangoon are not available, but there is known to be electric service in several other towns. Six principal newspapers, all established in Rangoon (three in English and three in Burmese), have a combined circulation of 34,000. There were approximately 6,500,000 moviegoers during the past year, with gross receipts of about 6,500,000 rupees, of which 30 percent was tax. American films accounted for 42 percent of the total gross, Indian films 31 percent, Burmese 20 percent, British 5 percent, and Chinese 2 percent. American pictures are often handicapped because of language difficulties.

There is little construction of any kind because of insurgent activities and the unavailability of building materials.

Religious and racial factors affecting sales:—There has been a strong nationalistic feeling since Burma became independent, and most Burmese prefer the national costume rather than western styles.

Local customs regarding food and housing:—The majority of Burmese live on such a limited budget that imported food is quite beyond their means. In many homes little furniture is used and that made usually from teak. At present thousands live in crude "basha huts" because of wartime bomb destruction, aggravated by an influx of refugees who have fled from insurgent activity.

MARKETING FACTORS

Rangoon, with its population estimated at close to three-quarters of a million residents and refugees, is by

far the most important city commercially even in normal times. It now handles all but a very small part of Burma's commercial activity and virtually all banking, directly or indirectly.

Imported products are sold for the most part through resident agents; furthermore, there seems to be a desire on the part of the authorities to channel all business into the hands of indigenous agents. The Government is the sole exporter of rice. Many long-established firms are said to be finding difficulty in continuing in business in the face of trade and currency restrictions.

Warehousing facilities of the Rangoon Port Commission always exceeded requirements. No goods may be taken into bond unless there is a covering import license. Export licenses are required before any shipments may leave Rangoon.

There are two new advertising firms in Rangoon, though comparatively little advertising is done at present because demand from potential purchasers far exceeds the supply. No commercial credit companies are now in business.

Credit is given much less freely than in prewar days. Most foreign concerns now demand a letter of credit or deposit before shipping to this area. Exporters to Burma should be assured of the issuance of an import license and foreign exchange permit before effecting shipment.

Customs are quite generally those of British business practice and English is the language generally used, except at the retail bazaars, where Burmese, Hindustani, and Chinese are also heard. It is the desire of the Government to give 60 percent of all import business to Burmese firms.

In March 1949 highest and lowest TT rates \$526½—518½, crosses US\$3.08—3.04; last week's rates for TT New York were about 24% higher than one year ago, and crosses were about 19% lower.

Turnover: US\$1,040,000 (TT 380,000, DD 350,000, notes 310,000). Buyers of TT were mostly importers of merchandise; sellers largely local and Macao exporters of bullion. Oversea Chinese remittances were offered in small amounts. The agents of the People's Government of China, having temporarily taken up what was needed, ceased buying.

There is no forward market in US\$ but the need for future settlement is keenly felt by traders. To meet this requirement native bankers are, once again, proposing the establishment of a forward sector in the Gold & Silver Exchange Society; their arguments are connected with the piastre forward market—as this business is moribund another trading in foreign currency notes should be substituted. The suggested trading unit would be US\$500; forward interest to be daily fixed by the Exchange committee; delivery in notes or funds in New York. Merchants are hoping that this time a regular forward market will come into being.

Highest & lowest gold (.945 fine tael) and TT New York quotations:—

	Gold		US\$	
	high	low	high	low
March				
6	295½	293	651¼	650½
7	293	291	650	648¼
8	291	289½	650	648
9	291¾	288½	649	647¾
10	290¾	286	647½	644½
11	287¼	285	644½	640

Silver:—Quotations in HK\$, per .99 fine tael 4.98 to 4.98½, local and Mexican dollar coin 3.15, Chinese coin 3.17—3.17½, twenty cents coins 2.65—2.80. Fine oz price about \$4.13=US\$0.64. New York and London continue quoting as before (73¼c and 64 d. resp.).

Market sales: 95,000 taels. Imports, from Kwangtung via Macao, below 10,000 taels; no exports.

The Taiwan Govt., having large silver stocks, decided to mint 10 and 50c coins, to a total of 7 million dollars.

Bank notes:—Highest & lowest rates in HK\$:—piastre 13½—12½, Nica guilder 24.70—24.10, baht 28.40—28.20 (per 100 currency units). Bank of England note 15.40—15.20, Australia 13.50—13.41, Canada 5.69—5.65, India 1.10½—1.10, Burma .92—92½, Ceylon 1, Malaya 1.80½—1.80¼.

Philippines 2.70—2.62; at the end of the week while US\$ rates declined pesos advanced reflecting more confidence in Manila gov't's ability to maintain stability in the Islands and continued support of that country by the US. Depreciation of peso on free market against parity with US\$ (at rate of 1 peso=50 cents) amounted at close of last week to 15½%.

CHINESE FINANCIAL MARKETS

Financial instability plagues Kwangtung but stricter enforcement of regulations by gov't may stem the tide of

inflation. Canton govt emphasises more Victory bond and parity deposit unit purchases and exercises great economy. Chaotic conditions were observed during one or two days in Canton when HK\$ rates soared to PB\$12,000 later setting around 8 to 9000. Hongkong money changers quoted per PB\$10,000 from HK\$1.35 to 1.50.

Local remittance rates for Canton, in HK\$, 99-100; for gold and US\$ in Shanghai 88-89 and 91-94 respectively (per 100 in China). Business done here: Shanghai 400 taels of gold, US\$ 4500; Canton HK\$220,000; Amoy US\$ 3000 (at HK\$7.10 per US\$). Official sales through Chinese govt licensed banks in Hongkong totalled about HK\$ 270,000 for Shanghai, and \$500,000 for Kwangtung. Taiwan remittances: 300 taels of gold, US\$5000 (for private transfers only); merchant business mostly conducted in Taiwan and not in Hongkong.

Measures for the winding up of banks in Canton and other South China cities are now made public by the authorities; the aim for quick reduction in number of banks and financial firms in Canton is to curb capital flight and speculation. Most of the banks in Canton have prospered because of inflation and general insecurity in the country; there is no necessity for the existence of innumerable banks, native banks, exchange shops and financial brokerage firms. Many native banks are voluntarily liquidating but in every case official permission is required. One of the leading native banks in Canton, the Wui Loong, an affiliate of Hongkong's Hang Seng Bank, have obtained permission to close their business.

RECOVERY IN THE STERLING AREA

Sterling Area US\$ Deficit

The dollar deficit of the sterling area can be removed by 1952-53. Following are illustrative figures for 1950-52:

U.K. Dollar Accounts

(US\$ million)

	Actual 1948-49	Estimate 1949-50	Illustrative 1950-51	Figures 1951-52
U.K. Imports	-1,576	-1,389	-1,180	-1,040
Exports & Re-exp.	746	603	720	830
Net Invisibles	-177	95	80	156**
U.K. Current Account	-1,007	-881	-540	-360
Rest of Ster- ling Area	-109	-63	60	180
Capital transac- tions & Third Country pay- ments	-431	-295	-270	-300**
Canadian Credit	60	111	50	..
E.R.P. Aid	1,218	1,106	720	480
Position of Reserves	-269	-22	(-20)	-

* Actual receipts.

** Allowing interest of \$108 m. and amortization of \$65 m. on U.S. and Canadian credits.

One key to Britain's future dollar balance lies in the ability of the rest of the Sterling Area to develop a dollar surplus as it did before the war. This and the future position of the reserves are really unpredictable, and all these dollar accounts are subject to wide fluctuation. But the detailed exposition of the figures reflects Britain's determined effort to achieve viability by the end of 1952.

Britain's Trade in 1949

Complete figures for 1949, now available, show that Britain's exports were £202 million more than in 1948, and approximately 50 per cent more by volume than in 1938. Exports fell in the second and third quarters of 1949 from the high level of the first quarter. But in the fourth quarter, which followed devaluation, they rose to almost 60 per cent by volume above the 1938 average.

The trade deficit in 1949 was only slightly less than in 1948, partly due to the fact that imports in the fourth quarter increased very considerably in cost, largely as a result of the increase in the sterling prices of certain imports following devaluation.

The following table shows Britain's trade recovery since the war:

U.K. Imports and Exports

(£ million)

	1938	1947	1948	1949
U.K. Imports (c.i.f.)	920	1,795	2,078	2,272
Exports (f.o.b.)	471	1,138	1,582	1,784
Re-exports (f.o.b.)	62	60	65	59
Apparent Adverse Balance	387	597	431	429

Allowing for increased prices, the volume of retained imports in 1949 was still below the 1938 level, though imports rose from 82 per cent of 1938 in the first quarter to 91 per cent in the third. The volume fell slightly in the fourth quarter. Among the increased cost of imports of food in 1949, the most important was that of one-third for dairy produce, though meat imports cost 16 per cent more than in 1948. The major rise among raw materials was for raw wool, which cost nearly 50 per cent more than a year earlier. Imports of raw cotton cost 14 per cent more.

The trend of exports is shown in the following table:

U.K. Exports in 1949

(Monthly av. in £ million)

	1st. Qtr.	2nd. Qtr.	3rd. Qtr.	4th. Qtr.
Food, drink and tobacco	8.1	7.1	7.2	10.1
Raw materials and articles mainly unmanufactured of which: Coal	6.5	5.7	6.2	8.9
Articles wholly or mainly mfrd. ...	135.0	127.3	134.3	132.9
of which:				
Pottery, etc.	4.4	4.0	3.9	3.9
Iron & steel goods	10.3	10.1	10.3	11.5
Electrical goods	6.8	6.3	6.4	6.4
Machinery	23.9	22.6	22.8	23.7
Cotton goods	14.8	13.8	13.1	11.8
Woolen & worsted goods	9.1	8.3	8.5	8.8
Chemicals, etc.	7.5	7.3	6.7	7.2
Vehicles (incl. ships)	26.4	24.8	24.2	28.0
Total (incl. parcel post, etc.)	153.3	144.0	141.1	158.5

HONGKONG'S TRADE IN DIAMONDS

Like in merchandise, Hongkong serves also as an entrepot in the diamond trade but as China is, now as before, no market for these precious stones and other Far Eastern countries, notably the Philippines, Indonesia and Thailand — besides being small customers and buying inferior grades—obtain direct supplies the local diamond merchants must operate within a limited scope.

Business in 1949 was profitable and turnover, on account of illicit exports to India as well as a short-lived boom in late spring, larger than usual. The civil war in China brought about new interest among Chinese buyers especially when the financial instability reached its climax in the beginning of last year. The temporary confidence crisis in Hongkong, following the ban on gold trading and possession, also stimulated diamond investment purchases but in many cases hoards thus acquired were liquidated.

Jewelers in town prospered but not on account of diamond business which is reserved to the few experts; the market is tricky and prices unreliable except as quoted by the few dealer firms and the leading jewelers. The local consumption is, considering the size of the community and its predominant Chinese population, satisfactory and rising which also is a reflection of the high standard of living enjoyed here by a relatively large number of people.

Efforts to induce wealthy Chinese to take to diamonds both for its investment-preserving and its beauty value have not met with any palpable success. Only the westernised and some of the overseas Chinese from other than Far Eastern countries show interest in diamonds. High quality stones find few buyers; the best which is offered in the local market are South African pure whites though occasionally one comes across a blue white which would rank among the elite in New York.

Prices of dealers range, for flawless whites, between \$1600 to 1800 per carat (for stones from about ¾ to 2 carats) but jewelers charge widely disparate prices and around \$2000 per carat for 1st class white is considered cheap. In spite of sterling devaluation diamond prices have remained in Hongkong unchanged (between £110 to 120 per carat for flawless whites from S. Africa). Buyers from abroad find here usually, if they know where and how to inquire, lower prices than elsewhere. Some travellers seem to have wisely availed themselves of the opportunities offered.

Last year's total imports were valued at about \$16 million (detailed statistics are available only for the last 9 months of 1949 which are published below) but unrecorded imports may have been not inconsiderable. Exports should have amounted to approx. the same figure as imports though dealers' and jewelers' stocks may have increased slightly over 1948 with local purchases also accounting for a good

Hongkong Stock & Share Market

Nothing encouraging can be said about developments on the local stock market where a weak tendency prevails in spite of good dividends and profitable company working results. Political uncertainty remains the main reason for the lack of investment interest. There is an abundance of idle cash in bank accounts but the majority of capitalists prefer to remain on the quiver, preferring liquidity to high yields.

It would be misleading to draw, from the conduct of investors in local stocks and shares, a conclusion on the political and economic position of Hongkong. What has been observed at the Stock Exchange during more than 1½ years was defeatism pure and simple with the few rallies always petering out before they gathered strength. Sellers remain active and many seem concerned about the future value of their local investments. That the good prices of 1947 and early, 1948 would not return is now taken for granted; but the low price level of today, one hopes, may be maintained.

It is rare these days to earn anywhere on investment in first class industrial and utility shares an annual return of 8—12%, nevertheless Hongkong, a member of the sterling area whose currency is pegged to sterling at 1s. 3d. to the local dollar, offers such chances without attracting much interest, locally or abroad.

With the announced Government intention to increase corporation profits tax by 50% (from a standard rate of 10 to 15%) less buying must be expected even if this illadvised proposal is shelved. The fact that in an emergency time like the one Hongkong passes through and which, in a speech

by the Financial Secretary before Legislative Council, was officially depicted in depressing colours, the local Government comes out with this income tax proposal reflects lack of understanding on the part of the local financial authorities and presages further weakness in the share market.

Government loans are slowly sold by discomfited holders and the treasury here buys them back some \$2 to 3 below par.

Rubber estate owners are not pleased with general conditions in the areas where their plantations are operated and many small holders are anxious to liquidate whenever a buyer appears on the horizon. It is altogether a situation not pleasant to contemplate.

The weekly turnover is maintained at around \$1 million which is against 1949 averages—which were below 1948 averages—considerably less. In 1949 the monthly average turnover was \$7,322,096 and the weekly average sales were \$1,689,541.

Last week's Stock Exchange Committee report, habitually disillusioned, reads as follows:—

Last week may be briefly summed up. Good dividends continue to be handed out to which the Market is oblivious. Prices have hovered around the week's opening rates, the amount traded is small and neglect is all too apparent.

The following Dividends and Bonuses for 1949 were announced during the week: China Emporium, Ltd. Dividend 80c and Bonus 20c, both free of tax. H.K. & Kowloon Wharf & Godown Co., Ltd. Dividend \$12, less tax. H.K. Fire Insurance Co., Ltd. Dividend \$11, free of tax. H.K. Tramways, Ltd. Final Dividend \$1.20, less tax.

amount. The balance of imports over exports is however to a large extent accounted for by unrecorded exports from here to India which country thus obtains South African diamonds in a roundabout way. It is estimated in trade circles that last year's shipments to India valued around \$8 million.

The principal supplier of Hongkong remains the Union of South Africa (between 60—70% of diamonds are imported from that country) followed by the Netherlands. Exports were consigned, apart from India which is an unrecorded matter, mainly to the US, Malaya and Arabia.

World diamond sales in 1949 were £28.4 million compared with the record level of £38.1 million in 1948. Sales in the second and third quarters of 1949 were £4.9 million and £4.8 million, respectively, and in the fourth quarter, £12 million. The fourth quarter figure shows the considerable effect of the higher sterling prices following devaluation of sterling.

Exchange & trade control over diamonds in Hongkong: — Licences are at present required to cover the importation and exportation of diamonds, from and to the Sterling Area and other countries. Exchange cover-

ing the import of diamonds from the Sterling Area and other soft currency countries is made available by the local Exchange Control but exchange covering imports from hard currency countries must be provided by the importer.

Diamonds which are exported from the Colony must be paid for in the appropriate manner but where hard currency exchange for the original import was furnished by the importer he may export such diamonds to a hard currency country and retain the proceeds.

Imports & Exports of Diamonds (for the Period April—December, 1949)

	Imports \$	Exports \$
United Kingdom	320,895	137,095
Malaya "	—	* 272,146
South Africa	575,618	425,772
Belgium	7,308,667	—
France	543,274	—
Holland	272,000	—
.....	2,115,697	197,949
Israel	485,141	6 268,456
Saudi Arabia	—	240,000
Siam	—	133,572
Switzerland	79,033	* 100,000
U.S.A.	273,909	1,366,085
Total	11,974,234	3,141,075

* Returned consignments.

Business reported during the week—\$1,109,475.

Business done during the week:—

	High	Low	Sales
H.K. Govt. 4% Loan	98	97	\$41,000
do 3½% " (1948)	98	97	\$70,000
H.K. Bank	1430	1430	32
Union Insurance ..	620	605	280
H.K. Fire Insurance	26	215	120
Union Waterboats ..	26	28	200
Asia Navigation ..	90	90	2,000
H.K. Docks	18.20	18.10	1,350
C. Providents	12	12	1,600
Wheelock Marden ..	28	28	300
H.K. & S. Hotels ..	9.80	9.70	5,600
Shanghai Lands ..	134	134	1,000
H.K. Tramways	14.60	14½	7,900
Star Ferry	83	83	200
China Lights (O) ..	11.60	11.20	6,800
do (N) ..	8½	8½	4,233
H.K. Electrics	27½	27½	4,400
Telephones	17¼	17	650
Calbeck (Ord)	—	—	116
Cements	24	24	400
Ropes	16	16	500
Watson	43	43	3,550
Lane Crawfords ..	21	21	525
Sinceres	—	—	300
Wing On	62	62	12
China Entertainment	17	17	200
Shanghai Kedah ..	4½	4	3,500
Tungei Duri	15	13½	1,000
Alma Estate	15½	15	550
Tanah Merah60	.60	6,000
Tebong20	.20	4,500

RUBBER ESTATES' OUTPUT

Rubber Companies for which A. R. Burkill & Sons, Ltd., are Secretaries &/or General Managers:—

	Output for January 1950 lbs.	Total this financial year to date lbs.	
Bute Plantations ..	76,000	76,000	(1)
Consolidated Rubber	128,100	128,100	(1)
Dominion Rubber ..	74,800	74,800	(1)
Kota Bahroe Rubber	76,700	526,100	(7)
Sungei Duri Rubber	84,000	501,600	(7)
Shanghai Pahang Rubber	44,600	387,100	(7)
Padang Rubber	32,700	268,200	(9)
Shanghai Kedah ..	110,264	455,964	(4)
Tanah Merah	123,010	1,150,310	(10)

Mercantile Bank of India

REVIEW OF BANK'S BUSINESS AND OF GENERAL CONDITIONS IN THE EAST BY THE BANK'S CHAIRMAN, SIR CHARLES A. INNES, AT THE ORDINARY ANNUAL MEETING OF SHAREHOLDERS, LONDON, MARCH 8, 1950

Accounts: In 1949 the business of the Bank continued to expand, Balance Sheet Total being £54 millions compared with £49½ millions in 1948. The increase is due to a rise in deposits which now stand at nearly £50 millions or £4½ millions in excess of the previous year's figure. On the Assets side, cash is up by £2.2 millions and Investments at £14,055,552 are about the same. There has been an expansion in bills and loans and advances and they total £27 millions, nearly £2.2 millions more than in 1948. The profit works out at £191,805. The Bank is maintaining the dividend at 12 percent, less tax, and making usual contribution to Pension Fund. The additional allocation to Contingency Account and to Premises Account are the same as last year. Investments:—There has been a heavy fall in the values of gilt-edged securities in the Stock Exchange during past year. Most of the securities are short dated and though there has been some depreciation, the market value is still in excess of the book value. Freehold Banking Premises and Property now stand at £414,655 against £277,054 in 1948. The increase is due to the building of a new Bank in Bombay. The new Bank is nearly completed. It was necessary in recent years to acquire or build flats and houses for the Eastern Staff in many places in the East. Last year a new branch in Chittagong was opened, this year new branches in Tokyo and Osaka in Japan.

International trade:—In 1949 trade was distorted by the exchange and other controls which many countries found necessary to maintain or impose, and there were also signs that market conditions were beginning to turn in favour of buyers. Nevertheless, the Bank continued to prosper, and except in such places as Shanghai, branches did good business. Perhaps the most immediate effect of the devaluation of sterling from the Bank's point of view was that it sent up the sterling price of rubber and tin and thereby benefited not only the industries themselves but also the economy of Malaya. The increase in the rubber price also helped Ceylon. Inflationary trends still persist in most countries. Inflation increases both profits and expenses, and the danger is that when trade begins to recede, the profits will diminish but not the expenses.

Outlook:—The background against which we work in the East is in some respects a sombre one. In the long view probably the most important event of an eventful year was the collapse of the Kuomintang regime in China and the overrunning of that vast territory by the Communist armies. It is certain that China will emerge from her ordeal profoundly changed, but no one can yet say exactly what form the change will take. The Communists are faced with gigantic problems in China. They have to restore law and order and good government in an immense country which moreover is the most thickly populated

area in the world. The living standards of the population are indescribably low, and they can be raised only if the Communists can succeed in establishing the conditions in which trade and industry and agriculture can flourish. It remains to be seen whether they will concentrate their energies on these tasks or whether they will adopt a militant policy towards the countries on their borders. In the meantime it is certain that the cold war will go on in these countries and that the spread of Communism is the greatest single threat that confronts South-East Asia. Another disquieting feature is the worsening relations between India and Pakistan. The Kashmir problem still remains unsolved despite the efforts of the United Nations. Feelings were further embittered by disputes regarding the properties of persons evacuated from the two countries, and the final misfortune is the devaluation controversy. When sterling was devalued, India also devalued her rupee, but Pakistan decided that her best interests lay in maintaining the exchange value of her currency. Neither side has felt able to give way. No exchange rate has been fixed between the two rupees, and trade between the two countries is at a standstill. Indeed there is a trade war, a war of attrition in which neither side can win and both must suffer grave economic damage. Another sinister consequence of the dispute has been the revival of communal trouble between Hindus and Muslims in both East and West Bengal and a two way traffic of refugees across the border. It is a most serious situation not only for India and Pakistan but also for the whole world, and one can only hope that a solution will be found in the near future either by agreement between the two countries or by some independent authority.

Thailand: There was a good deal of political unrest and the political situation remains obscure. But economically the country is prosperous. 1,215,000 tons of rice were exported and more than 10,000 tons of tin ore have been produced. Owing to the closure of the Rangoon mills there is an increasing demand for teak from Bangkok. Trade figures for 1948 indicate that Thailand is reverting to its pre-war position of having a favourable balance of trade.

Malaya:—The Trade figures for 1949 showed an improvement on those of the previous year, but there were signs of a recession of trade in the spring and summer. Rubber is the key product and the year was an anxious one for producers. The year began with a price of 37 cents per lb; in July it deteriorated to 32 cents, but by August it had recovered again to 37 cents. At these prices few estates could show a profit, and had they been prolonged for any length of time, the consequences might have been disastrous. Fortunately devaluation brought relief in the shape of a higher sterling price. As soon as the announcement was made the price

rose to 44 cents, and by the end of the year it had reached 50 cents. The cost of living may tend to rise as the result of devaluation, and this may send up the costs of production since labour costs represent some two-thirds of the f.o.b. cost of rubber. But provided that the present level of prices can be maintained, the prospects of the industry should be favourable. The statistical position of rubber is good. World production in 1949 has been estimated at 1,482,500 tons and world consumption at 1,427,500 tons. Production in Malaya at 671,503 tons was slightly down on the figures of the previous year. The production of tin on the other hand increased to 55,449 tons. This figure compares with 44,774 tons in 1948 and 11,710 tons in 1946. The recovery of the industry since reoccupation has been spectacular. Devaluation increased the sterling price of tin but when in November last Tin Control was abolished and the London Metal Exchange was reopened, there was a sharp drop in the price of the metal. The drop however was no greater than had been expected by the trade, and the price seems now to have settled down round about £600 a ton. This is a reasonably remunerative price and the industry is prospering. Long term prospects however are obscure since world production is now well in excess of current consumption. The results shown by the rubber and tin industries in the last two years reflect great credit on the growers of rubber and producers of tin. They have stood up to conditions of great strain and danger with unflinching courage. Singapore Island has remained peaceful, but lawlessness and banditry are still rife in the Federation. Large forces of military and police have been engaged, but owing to the nature of the country which is ideal for guerrilla warfare, they have not yet succeeded in bringing to book the small mobile bands of bandits. An all-out drive against the bandits has now been announced by the Government, and it is to be hoped that they will soon succeed in putting an end to the menace. It is high time that law and order should be re-established in the Federation and confidence restored among the general population. Moreover the cost of the operations is a great strain on the finances of the Federal Government. The Moratorium was lifted on the 1st October last, and good progress has been made in the settlement of pre-war debts.

Hongkong:—Hongkong has experienced another year of great prosperity. The trade figures speak for themselves. Imports were valued at \$2,750 millions and exports at \$2,310 millions, both being record figures. The corresponding figures for 1947 were \$1,550 and \$1,217 millions respectively. These figures indicate that boom conditions prevailed throughout the year. Hongkong is now the financial centre of the Far East. Moreover it has ceased to be merely a port with a large entrepot trade. In the last two years much capital from Shanghai and other places

in China has been attracted to Hongkong and a number of new factories have been established in the Colony. In 1949 a high level of industrial activity was maintained, and the building trades in particular were very prosperous. At the same time in consequence of the large number of refugees from China there has been a good deal of unemployment and also a certain amount of industrial unrest occasioned by the high cost of living. Another important post-war development has been the emergence of Hongkong as a great airport. Sixteen airlines regularly use the airport, and it has recently been decided to build a new airport which is expected to be ready for use in 1952. There are of course two great question marks in regard to the future of Hongkong namely (1) what will be the attitude of the Chinese Communists towards the Colony? and (2) How will its prosperity be affected if Shanghai ever recovers its former position as a great centre of trade and industry? It is worth noting that the business community in Hongkong takes an optimistic view in regard to both questions.

COMMERCIAL MARKETS

The Kowloon-Canton Railway

Perhaps the most interesting news of the week from the commercial community's point of view, was the resumption of through traffic on the railway running between Kowloon and Canton. On Sunday March 12, a date that deserves commemoration, a train from Shanghai via Canton pulled in at the Kowloon station bringing a full cargo of feathers, vegetable oils, ores and other China produce, and left again on the afternoon of Monday 13 carrying cotton, lubricating oil, rubber shoes and other necessary supplies for the Communists. Presumably the time of departure from Kowloon (5.25 p.m.) was chosen in the hope of avoiding any interference from the KMT bombers, and although an air raid alarm was sounded at Shumchun (the border station where a transfer usually takes place from one train to another), and the freight was unloaded until the all clear had gone, no interference took place from bombers.

Of course one swallow does not necessarily bring the summer, but Hongkong merchants will be forgiven if they are optimistic over the arrival of this train. Since the fall of Canton on October 14, 1949, talks have been going on between the Hongkong and Canton authorities in regard to the resumption of through traffic, and on more than one occasion this *Review* has called attention not only to the hindrance to trade caused by the enforced transfer of goods from one station to another at the frontier, but also to the serious losses that were being entailed by the Canton authorities through the effect of weather conditions on goods that had to be stored in the open, quite apart from the damage caused by the intensified bombing of Shumchun which destroyed supplies that could hardly be spared by a government endeavouring to rebuild a shattered economic system on a new basis. It is possibly not too enthusiastic a hope that Sunday's lone train heralds a line of others, concluding the long drawn-out consultations which have been taking place with Canton over so many months. If the consultations have been speeded up as a result of the losses sustained, the KMT bombings will have done the Communists a good turn.

Allocations in Hongkong for Japan Trade

A return to the pre-sterling devaluation system is due to start very soon with the resumption of monthly allocations for trade with Japan, under which any commodity may be imported except cotton yarn, of which there are large stocks in Hongkong. In this connection, applications up to March 4 are now under consideration.

Applications for allocations for any commodity are received either from firms acting on behalf of factories or from the factories themselves. In the case of the former, the firms applying on behalf of a factory must have a contract with the factory, and some

factories sign contracts with two or more firms in order to be sure of obtaining an allocation. The Dept. of Supplies & Distribution allows about three months' supplies and refuses applications in excess.

HONGKONG INDUSTRIAL CHEMICALS MARKET

The price decline continues with China business very depressing. Shanghai remains blockaded and few imports can be effected though via northern ports cargo is re-routed. The slump in Shanghai affected local dealers greatly and pessimism has spread.

This feeling was accentuated by several auction sales and reports in the market of more forced sales to come. If more auctions are held prices will further slide and cause more voluntary liquidations by nervous and hard pressed holders. There are still speculators in the market who, while ignorant of the chemicals market as such, have hedged in commodities and now, after long waiting, they get out of the bad bargain. Their conduct influences genuine holders to follow their example.

The sad state of general affairs in Shanghai is not likely to change for the better in the near future; it even looks as if the aerial offensive of the KMT is going to be intensified and what that means for trade with Chinese ports can easily be imagined. Prices in Shanghai frequently dropped below Hongkong quotations and there is a general rush to get out of cargo and re-invest in gold and foreign exchange—typical developments in times of a real emergency. Recent contracts entered into locally with Shanghai buyers averaged less than 20% of the amount recorded one year ago. Significant was the drop in prices of 'emergency' chemicals such as paraffin wax (for candle manufacture) and ammonium chloride (for dry battery cells); in spite of blackout and low power output these two chemicals found far less buyers and thus Hongkong could not sell larger lots to Shanghai.

Another new difficulty in the difficult Shanghai market has arisen from the authorities' insistence that commodities exported from Hongkong with Shanghai as destination though transhipped via Tsingtao or Tientsin can under no circumstances be sold in other cities but Shanghai. Often merchants in China contract cargo for Shanghai but, as occasion offers, sell where and when a more profitable arrangement can be made; now that is impossible and buyers will therefore be wary to order goods for consumption of Shanghai as they do not know when such cargo can be finally delivered; besides the condition of such goods upon arrival is very frequently below expectation and disputes are bound to arise.

Last fortnight's market report:—

Rosin. USA origin WW grade 515 lb drums was firstly about \$70 per picul but no buyers. Recently it sold at \$63 only. **Soda ash.** ICI Crescent brand dense grade 90 kg burlap bags is about \$32 per bag. USA origin dense grade

100 lb paper bags sold around \$13.20 per bag. **Bleaching powder** 35%. Business recorded was rather big but prices were slashed gradually. ICI Red Heart brand 50 kg drums firstly sold \$25.50 per drum then down to \$23.50, and then upward to \$24, \$24.50, but at last dropped again to \$23.70. The English origin crossed straps on lids 1 cwt galvanised iron drums sold \$20 per drum. Now is the consuming season of bleaching powder but the over supply favours buyers. **Bleaching powder** 70% USA origin 130 lb drums sold from \$1.80 per lb down to \$1.68. **Sodium silicate.** ICI Crescent brand 340 kg drums sold from \$129 per drum down to \$125. **Sodium sulphide solid.** Firstly the Chinchin brand 5 cwt drums sold \$510 per long ton. But since English origin sold \$440 per long ton the Chinchin brand will decline to about \$470. **Red amorphous phosphorus.** Market declined. French origin Au Lion brand sold from \$330 per case down to \$260. Canadian origin golden lithographed tins sold from \$285 per case down to \$245. Japan cargo KDK brand firstly sold \$260 per case for some lots but now is about \$220 only. All are packed in 110 lb cases. Rather big business was recorded.

Caustic soda solid. Business contracted was not large about 1000 drums. ICI Crescent brand 300 kg drums once sold \$152 per drum, then market down to \$138. USA origin 700 lb drums sold from \$136 per drum downward to \$120. A lot of 300 drums of USA origin were auctioned at \$97 per drum, the dealer resold a part of it at \$114 per drum. This auctioned lot was of various packing. USA origin 700 lb drums sold in Shanghai HK\$206 per drum. As transport fees from Tsingtao to Shanghai about HK\$80, and import tax about HK\$30 per drum, the cost of merchandise is HK\$96 per drum only. **Red lead.** Australian origin 560 lb wooden barrels sold \$125 per picul. Market normal. **Zinc oxide.** South African origin 1 cwt bags gold seal sold 74c to 73c, but now is about 71c per lb. **Nitric acid.** Dutch origin 80 kg carboys about 50c per lb. Price of USA origin 57 lb carboys, as no fresh shipment arrived almost for one year, and stock rather short, about 80c only. **Phenol.** No business con-

cluded. English origin Monsanto 448 lb drums is about 90c per lb. **Sodium bicarbonate.** ICI Crescent brand 50 kg bags sold small lots at \$19.50 per bag, 100 kg bags sold from \$36 per bag down to \$35. As the French origin 100 kg bags sold \$32 per bag, many consumers try to use it to save money. This item was once sold higher in Shanghai as it is used as fire extinguisher material.

Sulphur powder. Triangle brand whether 50 kg or 100 lb paper bags USA origin sold between \$13.50 and \$14 per picul later down to \$12.50. **Sodium nitrate.** Belgian origin 100 kg bags is about \$35 per picul. **Paraffin wax.** Big business concluded with downward tendency. AMP 143/150 nine slabs to one carton from \$64 down to \$63.50 per picul, and AMP 160/165 of the same packing at \$70. AMP 132/135 eight slabs to one carton sold from \$58.50 per picul down to \$57.50. AMP 128/135 semi refined grade 100 kg burlap bags wired tied mouth sold from \$53 down to \$48 per picul. **Sodium bichromate.** No interest. Sellers asked 52c per lb down to 48c for South African origin 500 lb drums. **Citric acid.** English origin 1 cwt plywood drums sold from \$1.55 per lb down to \$1.50. A lot was shipped to Malaya. Indent price is \$1.45 per lb. **Lactic acid.** Yellow colour (not of high purity) packed in 500 lb drums, sold \$1.30 per lb. It is used by brewers as it helps fermentation. **Saccharine.** Granular, soluble 1 lb tall tins old packing of Monsanto sold from \$10.50 per tin down to \$10.30. Same quality but of German make packed in 100 kg wooden barrels is about \$7.50 per lb. **Glycerine.** Dutch origin BP quality 250 kg drums sold \$1.51 per lb.

Ammonium bicarbonate. ICI 100 kg drums sold a lot at \$72 per drum. **BMT.** English origin 224 lb metal drums sold a few lots at \$1.45 per lb. Its indent price was increased by one penny per pound. As stock is heavy and demand not large the market cannot rise in spite of price advance in country of origin. **Glacial acetic acid.** Dutch origin 25 kg carboys sold a small lot at 85c per lb. Business was limited. **Potassium chlorate.** A small lot of USA origin 110 lb drums sold at 67c per lb. **Borax.** Crystal form of USA

origin 112 lb burlap bags sold \$39 per bag. **Sulphur black.** National's No. 693 100 catty drums sold \$300 per picul. **Vaseline.** Show white grade of 375 lb drums sold 49c per lb. It advanced by two cents over early March. **Potassium bichromate.** Crystal form of German make 300 kg drums sold 89c per lb for small lot only. **Mercury.** Market firm but no large buyers. 76 lb iron bottles is about \$620 per picul. **Magnesium carbonate.** Used for making dusting powder. ICI 56 lb bags sold 52c per lb. **Sodium acetate.** In general used as an auxiliary agent in dyeing textiles and also as raw material for making acetic acid. Last year it was sold about \$1.50 to \$2 per lb. Last week a lot of about 200 drums was auctioned at 15c per lb. As its uses are not extensive the stock is difficult to sell in future: **Anhydrous sodium sulphate.** 100 lb bags sold at 19c per lb. **Pyridine.** Used for adulteration of alcohol as denaturant. It was sold at \$1.70 per lb for the 400 lb drums. **Boric acid.** Powder form in 100 lb paper bags USA origin sold 45c per lb. **Carbon black.** Market firm with some interest. Witco brand 187.5 lb cases sold around \$230 per case. **Polystyrene.** Market firm and stock not large. Monsanto product in fibre drums sold \$3 per lb for the red and green colours and \$2.70 per lb for all other colours. **Corn syrup.** Used by confectioners. 45 degrees 700 lb drums ICI product sold 44c per lb.

HONGKONG COMMODITY REPORTS

Cotton Piece Goods and Cotton Yarn

The cotton piece goods market was fairly brisk in certain lines during the week, with purchases by Hainan dealers though grey sheetings were not much in demand: Elephant Head grey sheeting had a few sales at \$44 per piece, Mammoth Bird sold at \$47.50 and \$47, Four Lotus at \$45.50, Japanese 2023 at \$43; Nan Cheong white cloth sold at \$48 per piece and Hsun Liang Yu (Lady on Horseback) at \$46.50; Nine Rings drill fetched \$39.50, Golden City \$46, and Japanese 2042 \$43 per piece; Kwai Fei red cloth sold for \$50

per piece and Japanese Dai Tze for \$65.

Except for some purchases at the beginning of the week by Swatow merchants the cotton yarn market was dull: Double Lion 10's rose to \$780 per bale, but other brands showed lowered prices, Peacock being offered at \$655 and Flying Elephant at \$710 per bale while Double Eagle sold at \$670 per bale; in 20's, Camels sold at \$1,200 per bale, Flying Tiger at \$1,180, Lake at \$1,210, Three Goats at \$1,150 and Tien Kuan at \$1,140 per bale, while Bengal fell to \$910, Cockatoo to \$985 and \$980, Alligator-on-Horse to \$945 per bale; in 32's Blue Phoenix was offered at \$1,450 per bale, Standing Horse at \$1,330 while Double Fish fetched \$1,320; in 42's, Blue Phoenix sold at \$1,855 per bale.

Metals

French manufacturers of mild steel bars of every description seem to have maintained their lead in the local market by retaining their low price of £23 per ton c.i.f. Hongkong as against the Belgian make, the indent price of which has been raised by US\$2.80 per ton. This increase was imposed by the Belgian manufacturers in an endeavour to recover losses sustained during the past year, when in order to compete with the French product prices were lowered, but it is forecast that an increase at this stage will have the effect of handicapping them still further. Fresh supplies of round bars are continually arriving, but little profit can be made at existing prices, and in fact a general downward trend is noticeable: 40 ft. ¼" sold at \$35 per picul; 5/16", 1½", 1¼" and 1½" fetched \$34 per picul; ¾" and ½" stood at \$32; ⅝" and ¾" sold at \$31; while due to low stocks 2", 2½" and 3" were offered at \$37. Angle bars were firm during the week and, in some cases, showed increased prices: ½" thick ¾" were offered at \$44 per picul, while 1" went for \$43 and 1¼" rose to \$45; 3/16" thick 1" and 1¼" angle bars varied somewhat in price between \$42 and \$44 per picul; ¼" thick 2" and 2½" were offered at \$42 per picul; while ¾" thick 3" stood

at \$44 and 4" and 6" rose to \$48 per picul. Mild steel plates followed the same downward course as mild steel bars, largely due to heavy stocks. Prices ruling during the week were: 4 x 8' 1/32" \$58 per picul; 1/16" \$43; 3/32" \$40; ¼", 3/16" and ½" \$36 per picul; while ¾" stood at \$37 and 1½" and 5/8" at \$38. The wire rod market was dull, with little business. Buyers for the People's Govt. were seeking some 1,000 tons but the price offered was not attractive. Selling prices were: first quality 3/16" \$34 per picul; 7/32" \$34; ¼" \$33; while the average price of re-export cargo for the three specifications was \$35 per picul; second quality wire rods were offered at the average price of \$24/\$25 per picul for 3/16", 7/32", ¼" and ¾". Zinc sheets did not interest buyers from Canton, but local dealers bought speculatively as prices were relatively low: Polish 3 x 8' G6 dropped to \$105 per picul, while G5 were offered at \$117. Wire nails also showed a downward trend although buyers from Foochow and Amoy were in the market: European origin G11 2", G10 2½" and G8 3" dropped from \$39 to \$37 per picul; G15 1", G14 1¼" fell to \$39; G13 1½" and G12 1¾" dropped to \$40; G7 4" fell to \$40; G6 5" and G5 6" were offered at \$41; locally made 1½" to 6" stood at \$42; Czechoslovakian 1½" to 3" in kegs of 250 were quoted at \$39 per picul; Dutch and Polish were offered at \$38.50 and \$39; Belgian old stock stood at \$40. Due to outport purchasers of Galvanised Wire the market was active, especially in the G8 specification stocks of which are low, the price rising to \$45.50 per picul; on the other hand G10 fell somewhat, selling at \$42. Other prices were G5 \$53 per picul; G6 and G16 \$48; G10 \$42; G12 \$44; G13 \$46; G15 \$52; G17 \$56; G18 \$60; G20 and G22 \$64 and G24 \$78 per picul.

Cement

Over the past fortnight around 5,000 tons of Japanese cement have arrived, providing competition in respect to other kinds: Japanese 100 lb. bags for re-export were offered at from \$5.50 to

HONGKONG EXPORTS OF LOCALLY MANUFACTURED COMMODITIES

Imperial Preference Certificates and Certificates of Origin Issued in January 1950:—

Description	Monthly Average, 1949 Quantity	Value	January, 1950
Acid	900 lbs.	\$ 180	—
Batteries	25,789 doz.	42,998	18,940 doz.
Beer	13,800 gal.	70,187	—
Bean stick	1,097 lbs.	2,921	315 lbs.
Bird nest	2 lbs.	89	2 lbs.
Bulbs for flashlights	1,859,588 pcs.	80,450	1,668,000 pcs.
Buttons	7,068 gr. gross	107,302	4,784 gr. gross
Biscuits	4 lbs.	8	—
Camphorwood chests	497 pcs.	28,614	392 pcs.
Camphor Tablets	13,405 lbs.	62,452	20,300 lbs.
Canned and Preserved Foods	(20,715 lbs.)	(444 tins)	(6,858 lbs.)
	(7 bts.)	27,761	(13 doz.)
Candles	(5,212 doz.)	(325 pkgs.)	4,500 doz.
Cigarettes	20,833 cigs.	521	—
Cotton Thread	1,109 gross	16,779	60 gross
Cotton Yarn	177 bales	247,954	483 bales
Cotton Piece goods	1,328,105 yds.	1,535,820	947,360 yds.
Cosmetics and Perfumery	15,900 doz.	46,858	(1,651 lbs.)
			(13,413 doz.)
Confectionery	376 lbs.	1,166	—
Cutlery	64 pcs	159	90 pcs.
Eggs	17 lbs.	127	—
Electrical Accessories	576 doz.	4,737	—
Enamel wares	213,737 doz.	719,823	127,486 doz.
Embroidery	587 doz.	23,899	555 doz.
Firecrackers	730 cases	53,023	4,312 cases
Flashlights	36,587 doz.	527,633	16,042 doz.
Fibre Ware	195 pcs.	1,910	—
Fish and Fishery Products	641 catties	5,923	455 catties
Feathers	51 piculs	18,869	249 piculs
Fish Gut	2 lbs.	48	—
Ginger	24,266 lbs.	25,991	22,472 lbs.
Glassware	19,898 doz.	32,111	(1,340 gross)
Gourmet Powder	113 doz.	10,389	21 doz.
Glue	9 lbs.	624	—
Hardware	(65,327 doz.)	(912 piculs)	(15,356 doz.)
	(1,459 grs.)	(25 sheets)	(360 sets)
	(1,751 pcs.)	44,180	—
Hats and Caps	2,997 doz.	27,938	7,065 doz.
Handkerchiefs	4,227 doz.	21,394	2,100 doz.
Hurricane Lamps	2,493 doz.	69,315	2,419 doz.
Iron Charcoal	247 doz.	11,832	390 doz.
Ivory Ware	1 doz.	192	—
	(67,980 doz.)	(2,558 yds.)	(856 rolls)
Knitted wares	(83 labels)	646,925	122,680 doz.
Kerosene Lamps	4,775 doz.	41,543	2,618 doz.
Lard	108 piculs	17,931	—
Lamp Wicks	9,264 yds.	3,671	—
Leather shoes	3,614 prs.	19,542	1,093 pairs
Leather Ware	(1,156 doz.)	(71 pcs.)	19,918
	(245 catties)	13 pcs.	5 doz.
Meat, Preserved	(13 pcs.)	2,407	—
Matches	10,088,98*	226,858	4,125,600 boxes
Machinery	3 Nos.	623	5 nos.
Mats and Matting	(27,893 pcs.)	(383 bales)	(240 pcs)
Mosquito Destroyer	15,550 box	5,534	(470 bales)
Metal Belt	317 doz.	3,855	—
Neck-Ties	2 doz.	29	—
Needles	11,490,483 pcs.	31,197	5,135,000 pcs.
Oil, Groundnut	9 piculs	1,938	—
	(4,903 lbs.)	(42 doz.)	(321 gal.)
Paint Varnish & Lacquer	(5,432)	19,204	16,978 lbs.
Pencils	(768,125 sets)	49,628	4,032 gross
Printed Paper	(3,931,656 sheets)	25,389	(25,360,000 sheets)
Proprietary Medicines	(1,168 catties)	(698 doz.)	(50,000 sets)
	(250 bottles)	6,746	(400 doz.)
Plastic Ware	1,184 doz.	15,971	(1,528 catties)
Porcelain Ware	2 doz.	207	(3 sets)
	(4,178 catties)	(926 pcs.)	(3,325 set)
Rattan Ware	(90 rolls)	21,135	(129 bales)
	(140 bales)	(546 sp. ft.)	(2,241 pcs.)
	(245 lbs.)	—	—
Rattan Cane & Peel	(2,882 bales)	47,991	(329 bales)
	(2 rolls)	(17 piculs)	—

Exports during January of locally manufactured goods under Imperial Preference Certificate and Certificate of Origin amounted in value to \$9,704,302, an increase of \$946,047 above the figures for December.

Knitted wares came first during January with exports valued at \$2,070,644, an increase of \$1,423,699 or 68.7% above the monthly average for 1949. Rubber shoes came next with 951,753 pairs valued at \$1,972,990 or 43.4% above the 1949 monthly average, the excess being 428,884 pairs valued at \$856,409. Third place was taken by cotton piece goods with 947,360 yds. valued at \$1,035,604, but a drop of 42.6% occurred, or 380,745 yards valued at \$500,216 compared with last year's monthly average.

\$5.60 per bag, the bulk being taken by buyers from Macao. Other makes also did well, Taiwan 1 cwt. bags fetching \$6.30 per bag forward, and Tientsin Horse brand selling at \$6.70 per 1 cwt. bag. Danish Bate brand white cement remained steady at \$13.50 per 1 cwt. bag, though the c.i.f. price fell to \$240 per ton; Polish 1 cwt. bags stood at \$6.40, while the ex-godown price fell to \$120 per ton. Indochina Dragon brand sold at \$5.70 per 1 cwt. bag. Green Island Emerald brand sold at \$7.20 per 1112 lb. bag (official price \$6.80), Emeraldcrete rapid hardening cement (Green Island) stood at \$8.20 (\$7.80), and Snowcrete British white cement was steady at \$59 (\$55) per drum of 375 lbs. nett; Snowcem cement paint stood at the usual price of \$58 per 112 lbs. nett steel drum.

Paper

The paper market continued dull. Further increases are expected by European paper manufacturers, due to a shortage of raw materials from which paper pulp is made and which is also in demand for nylon goods. A purchase of USSR newsprint, though small in quantity, took the market by surprise; large stocks are not kept of this make, as the colour is too yellow; the sale of 5,000 reams of 45 lb. 30" x 42" was effected at \$17.30 per ream. Newsprint in roll 31" 52 gr. was offered at 35 cents per lb., the Norwegian specification selling for 35½ cents. MG pure sulphite paper 30" x 40" was in demand by local interests, selling at \$14.80 per ream. MG Cap 17½ lbs. coloured was also in demand and sold for \$11.20 per ream. Cellophane paper 36 x 39 had some transactions in the French and Belgian makes, the former selling at \$74 and the latter at \$73 per ream.

Rubber

Buyers from Taiwan were in the market for smoked rubber sheets, but transactions were not sufficiently important to warrant a rise in price, which at present is lower than that quoted in Singapore, where first quality is quoted at S\$0.5475 per lb. c.i.f. Hong-

Description	Monthly Average, 1949		January, 1950	
	Quantity	Value		
Rubber shoes	522,869 prs.	\$ 1,116,581	951,753 pairs	\$ 1,972,990
Rubber Wares	(6,362 doz.)	(14,588)	260 lbs.	751
Ropes	(33 lbs.)	(33,694)	32,733 lbs.	40,133
Seagrass Twine	(32,675 lbs.)	(4,941)	840 bales	53,024
Shirts, Pyjamas etc.	(7,371 lbs.)	(505,484)	13,990 doz.	627,811
Shoe Laces	(45 bales)	(17,398)	80 gross prs.	2,160
Silk and Mill (Art)	12,580 doz.	62,260	21,730 yds.	124,346
Silk piece goods	3,264 gross	16,906	—	—
Soap	15,953 yds.	(1,228 gross)	(24 gross)	(4,153)
Socks	(37,062 lbs.)	(24,298)	(15,000 lbs.)	(90,099)
Sugar Candy	6,975 doz.	34,370	13,568 doz.	2,666
Table cloth and Bed covers ..	704 catties	423	3,800 catties	—
Tea	4 doz.	137	996 lbs.	4,104
Toys	566 lbs.	1,991	15,459 doz.	73,821
Towels	15,206 doz.	53,023	250 doz.	2,550
Tooth Brushes	262 doz.	38	4,282 doz.	130,103
Umbrellas	8 doz.	124,687	2,538 doz.	107,321
Vacuum Flasks	4,055 doz.	80,856	6,275 doz.	59,252
Watch Bands	2,483 doz.	72,456	—	—
	5,986 doz.	—	—	—
Total:	7,282,315	9,704,802		

kong, second quality at S\$0.54 and third quality at S\$0.5325. With the lack of demand from China, prices fell at the end of the week: No. 1 was offered at \$132 per picul, No. 2 at \$130, No. 3 at \$126 and No. 4 at \$122; little business was, however, transacted, as the prices offered by buyers were too low.

Pale crepe rubber also fell in price, following a decline on the Canton market due to reduced demands from factories as a consequence of KMT air raids over the city. Some local transactions were effected at lower prices: No. 1 quality sold at \$175 per picul, and No. 2 at \$150; pale crepe ends fetched \$180 per picul.

Vegetable Oils and China Produce

Japanese interests continued their purchases of tungoil (wood oil) against the large quantities they require; arrivals from Tientsin were placed on the market, as well as a certain amount despatched from Canton via Macao to avoid the bombing on the Kowloon-Canton Rly. The latter route, however, has its difficulties, as a transit tax is levied by the Macao Govt. which increases the price, and furthermore ships from Macao only call at Canton once a week thereby creating something of a bottleneck. On the local market, as a result of the arrival of large supplies, the price of tungoil showed a decline, being \$199 for standard quality for spot while the forward price stood at \$198 per picul. The market in teaseed oil was brisk with demands from Europe. Local dealers were pleased to note that the quality of recent arrivals from Canton was improved, having suffered in the past from the refusal of buyers in London to take delivery on account of impurities in the oil. Transactions of 4% acid took place at \$178 per picul and as present stocks in the Colony are light, it is considered that the price may rise further with the increased demand; 5% acid fell to \$157 per picul, but failed to attract buyers. Rapeseed oil remained dull, a few transactions taking place at \$100 per picul. With a slackened demand from abroad as well as from China, soya bean oil and

linseed oil saw no alteration, prices standing at \$98 and \$102 per picul respectively. Cottonseed oil, with heavy stocks, remained steady at \$118 per picul. Aniseed oil, also with little demand, declined to \$1,020 per picul.

Transactions in groundnut oil were very brisk in some brands, the prices of which showed an improvement: Tientsin 1 q. in drums rose to \$150 per picul and Swatow Golden Deer in tins to \$166 per picul.

Singapore coconut oil was in demand by Japanese buyers and showed an increase in price, sales being effected at \$125 and \$124 per picul.

Several transactions in cassia lignea took place, 84 catty packing selling at \$57 per picul and the 60 catty packing at \$58. Yunnan cassia rolls, unscrapped, sold at \$92.50 per picul, falling later when requirements were satisfied to \$90.

Some supplies of Yuenkong flax which arrived via Macao were placed

Hongkong's Trade in Vegetable Oils

(Continued from last issue, pp. 321/23)

Rapeseed Oil

The trade of Hongkong in rapeseed oil during 1949 totalled 84,838 piculs valued at \$10,773,102; imports amounted to 36,904 piculs valued at \$4,890,584 and exports to 47,934 piculs at \$5,882,518. The excess in exports of 11,030 piculs is to be explained by the large stocks that were sent to Hongkong for safety when the Communist armies advanced southward, and also by the quantities that are smuggled into the Colony to avoid the surrender of exchange to the People's Govt. authorities.

on the market at \$225 per picul. Buyers from Great Britain and Japan were requiring about 700 tons of ramie and sales of Szechuen 1 q. were made at \$230 per picul, while West River, Kwangtung, 1 q. sold at \$220. Some activity was shown in gallsnuts, the Liuchow, Kwangsi, as well as the Hankow quality selling respectively at \$113 per picul, while the Korean quality was offered at \$98. East river rosin was steady at \$55 per picul, raw rosin in case packing was quoted at \$60 per picul; light stocks, however, discouraged holders from parting with supplies

Ores

A purchase from Hainan of tungsten (wolfram) ore which is up to export quality and which was shipped to the island just before the fall of Canton to the Communists, has just been completed by a local merchant. Stocks of this ore in Hongkong are very low, and the new supply will be used to complete outstanding orders from the USA. Transactions in tungsten ore are now difficult to carry through, owing to the rigid export controls exercised by the Communists in Canton. Sales were effected at the following prices: China 65 deg. \$270 per picul and 80% of 65 deg. \$216, while South Korean standard quality was quoted at \$260 per picul.

The market in tin ingots was dull: Yunnan 99% fell to \$520 per picul, China tin 60% declined to \$365, and 50% and 40% for soldering to \$300 and \$265 per picul respectively.

Tea

Shipments of China tea have recently been received from Taiwan, Amoy, and Yunnan via Saigon, and they are likely to be quickly taken up, in spite of the fact that the arrivals from Taiwan and Amoy are mainly of green tea which is not so much in demand. South African interests were still in the market purchasing China black tea against contracts amounting to 200 tons. It is considered that prices on the local market will continue firm, as the new tea crop will not be available for a couple of months. The price of Broken Orange Pekoe black tea rose to \$310 per picul and of Orange Pekoe black tea to \$290, while superfine Paochung tea 1 q. remained at \$520 and 2 q. at \$400 per picul.

The bulk of the imports, or 22,381 piculs valued at \$2.7 million, came from South China, followed by North China with 11,902 piculs at \$1.8 million. Italy was first for exports from Hongkong taking 19,794 piculs at \$2.6 million, and Holland came second with 11,243 piculs at \$1.1 million; Australia came third with 6,648 piculs at \$806,458 and Germany fourth with 5,819 piculs at \$773,520.

With the exception of October, there was a very great drop in imports of rapeseed oil during the second half of last year, none being imported in November or December. In regard to exports, January showed the largest quantity 14,448 piculs and November the lowest with 336 piculs; no exports were recorded in August.

	Imports		Exports	
	piculs	\$	piculs	\$
South China	22,381	2,748,648		
North China	11,902	1,822,787		
Macao	1,372	167,068		
Central China	1,249	152,081		
Total	36,904	4,890,584		
	Imports		Exports	
	piculs	\$	piculs	\$
Italy	19,794	2,609,740		
Holland	11,243	1,139,154		
Australia	6,648	806,458		
Germany	5,819	773,520		
U.S.A.	3,276	427,980		
United Kingdom	420	37,800		
South Korea	383	44,872		
Belgium	318	40,183		
Denmark	33	2,611		
Total	47,934	5,882,518		

	Imports		Exports	
	piculs	\$	piculs	\$
January ..	4,876	538,960	14,448	1,918,220
February ..	2,188	283,236	3,944	542,071
March	1,560	176,006	2,755	328,984
April	6,116	821,720	2,842	364,863
May	4,954	554,457	2,287	257,836
June	557	89,229	6,457	867,546
July	768	92,222	1,522	190,172
August	353	42,360	—	—
September ..	614	64,800	433	56,959
October	14,918	2,227,534	1,161	138,246
November ..	—	—	336	38,640
December ..	—	—	11,749	1,507,965
Total	36,904	4,890,584	47,934	5,882,518

Coconut Oil

Hongkong's total trade in coconut oil last year amounted to 109,541 piculs to the value of \$11,818,353; imports totalled 55,094 piculs at \$5,861,965 and exports 54,447 piculs at \$5,956,388.

The bulk of the imports came from Malaya with 46,346 piculs, at \$4.9 million; exports went to Central China with 23,633 piculs at \$2.46 m., North China with 12,758 piculs at \$1.3 m. and Japan with 10,296 piculs at \$1.3 m.

July was the peak month for imports, 13,818 piculs being imported to the value of \$1.4 m., followed by October with 9,850 piculs at \$992,994; January was the lowest month with only 83 piculs at \$10,123. On the other hand January was the best month for exports, which amounted to 10,511 piculs valued at \$1.35 m., while May was the lowest with 770 piculs valued at \$76,155.

	Imports	
	piculs	\$
Malaya	46,346	4,929,218
Siam	3,964	442,138
North Borneo	3,562	367,705
Indochina	653	55,000
South China	215	23,644
Australia	150	16,500
Macao	120	12,000
Indonesia	84	15,760
Total	55,094	5,861,966

	Exports	
	piculs	\$
Central China	23,633	2,465,161
North China	12,758	1,338,537
Japan	10,296	1,332,705
South Korea	2,990	322,247
Macao	2,210	227,544
South China	1,695	165,979
North Korea	840	101,800
Malaya	25	2,415
Total	54,447	5,956,388

	Imports		Exports	
	piculs	\$	piculs	\$
January ..	83	10,123	10,511	1,358,279
February ..	1,170	140,709	1,443	176,933
March	2,910	340,228	2,546	288,116
April	1,412	160,979	2,473	279,937
May	417	43,769	770	76,155
June	6,149	708,394	2,450	250,648
July	13,818	1,404,233	9,465	952,709
August	3,897	414,113	5,403	540,695
September ..	5,289	558,467	3,433	376,140
October	9,850	992,994	6,972	711,851
November ..	7,614	798,234	4,086	437,930
December ..	2,485	289,722	4,895	506,995
Total	55,094	5,861,965	54,447	5,956,388

Aniseed Oil

Aniseed oil, though it does not take a large place in Hongkong's trade in vegetable oils where volume is concerned, on account of its rarity, is important where value is concerned. It comes from a plant grown mainly in Kwangsi province in China, and some comes also from Indochina. The troubles through which China has been passing have had their effect upon supplies of this oil and in the course of last year a steady falling off in both imports and exports was noticeable.

The total trade in aniseed oil during 1949 amounted to 8,730 piculs valued at \$4,091,052; imports were 1,873 piculs at \$751,536 and exports 6,857 piculs at \$3,339,516. The large excess of exports over imports, amounting to 4,984 piculs valued at \$2,587,980, is attributed to smuggling, which has been adopted in order to avoid the surrender of foreign exchange to the People's Govt.

South China is the chief supplier of aniseed oil, and last year totalled 985 piculs valued at \$404,559, while supplies from Indochina amounted to 597 piculs at \$219,490. Exports went mainly to the USA, 3,730 piculs at \$1.6 million, the United Kingdom, 1,548 piculs at \$880,707, with France third, 848 piculs at \$458,373.

	Imports	
	piculs	\$
South China	985	404,559
Indochina	597	219,490
Macao	291	127,487
Total	1,873	751,536
	Exports	
	piculs	\$
U.S.A.	3,730	1,645,587
United Kingdom	1,548	880,707
France	848	458,373
Germany	180	84,615
Australia	177	88,456

Hongkong Aviation Returns

for February 1950

	CIVIL AIRCRAFT		PASSENGERS		MAIL (Kilograms)		FREIGHT (Kilograms)	
	Arrivals	Departures	In	Out	In	Out	In	Out
Monthly averages for 1948	595.3	—	9,591.7	9,381.6	13,726¼	13,649¼	42,920	100,985.58
Monthly averages for 1949	1,061.6	1,057.5	12,245.8	13,312.4	13,842	14,576	237,690	272,656
1950:								
January	253	250	3,151	4,012	11,196	11,746	43,350	59,200
February	197	203	2,604	2,934	9,761	10,666	35,942	59,869

Total aircraft for Jan.-Feb. 1950 in and out: 905; total passengers: 12,701; total mail: 43,369 kgs., total freight: 198.3 metric tons.

Aviation Notes

Hongkong's Air Traffic

Air traffic for the month of February continued to be as depressing as during January. Only 400 aircraft entered and left Kaitak compared with 503 in January, and lower figures were recorded for passengers who numbered 5538 against 7163, mail which amounted to 20,427 kgs. compared with 22,942 kgs. and inward freight which totalled 35.9 metric tons as against 43.3 tons in January. The only increase compared with January was in the figures for outward freight, which amounted to 59.8 tons as against 59.2 tons.

The greatest fall was in regard to traffic with China (except where outward freight was concerned): in February the total number of passengers to and from China numbered 746 as against 1,516 and mail received and despatched was 1,572 kgs. instead of 1,944 kgs. However, freight conveyed by plane totalled 28,103 kgs. as against 23,741 kgs. in January,—although inward freight amounted to only 157 kgs. compared with 2,940 kgs., outward freight reached the figure of 27,946 kgs. as against last month's 20,801 kgs.

	Exports	
	Piculs	\$
Holland	136	63,601
Indochina	43	26,620
Belgium	42	18,900
India	38	17,984
Italy	35	17,267
Denmark	19	9,050
Canada	16	7,077
New Zealand	9	4,493
Philippines	9	4,214
Norway	6	4,536
Sweden	6	2,740
Malaya	3	1,916
South Africa	3	1,396
Thailand	2	1,586
Macao	2	350
Total	6,857	3,339,516

	Imports		Exports	
	Piculs	\$	Piculs	\$
January	13	3,927	910	414,293
February	195	72,956	900	399,886
March	479	193,924	1,327	583,242
April	126	48,655	339	146,337
May	284	117,046	599	245,000
June	280	74,630	752	322,195
July	36	18,960	471	200,138
August	168	81,024	399	163,882
September	117	26,394	252	155,219
October	73	34,650	367	251,045
November	56	41,000	490	362,642
December	46	38,470	111	95,537
Total	1,873	751,536	6,857	3,339,516

Hongkong-Singapore Air Excursions

An innovation has been arranged by B.O.A.C. in the form of 14-day excursion trips between Hongkong and Singapore by Argonaut planes, leaving Hongkong on Tuesdays and Saturdays and returning from Singapore on Wednesdays and Sundays; flying time each way will be 6¼ hours. The return fare will be £64.8.0. as compared with the ordinary return fare of £86.8.0. and tickets will be available from the date of purchase.

Air Link between Sydney and Tokyo

A direct air service between Australia and Japan has now been inaugurated by Qantas Empire Airlines. A DC-4 Skymaster carrying 44 passengers leaves Sydney every Friday arriving at Haneda airport, Tokyo, on Monday; and the contrary flight leaves Haneda on Mondays arriving in Sydney on Thursday; overnight stops occur at Manila and Iwakuni in Western Japan. The one-way fare is £160 sterling.

Hongkong Airport: Traffic of Regular Users in February 1950

	ARRIVALS			DEPARTURES		
	No. of Passen- A/C	gers	Mail (Kgs.)	No. of Passen- A/C	gers	Mail (Kgs.)
B.O.A.C.	20	319	7,626	22	353	6,620
H.K. Airways	23	234	577	23	328	535
P.A.A.	32	502	59	31	626	Nil
C.P.A.	35	395	209	35	346	1,064
P.A.L.	16	479	242	16	545	1,560
P.O.A.S.	8	82	108	10	97	89
T.A.A.	3	1	Nil	4	Nil	Nil
S.A.F.E.	3	9	158	3	36	Nil
Air France	12	386	314	12	278	309
S.A.C.	5	57	25	5	49	Nil
MATCO	7	32	Nil	7	38	Nil
C.P.A.L.	4	29	97	4	67	380
Qantas	2	23	39	2	30	73

Hongkong Aviation Report for February, 1950.

	ARRIVALS			DEPARTURES		
	Passengers	Mail Kgs.	Freight Kgs.	Passengers	Mail Kgs.	Freight Kgs.
United Kingdom	80	5,532	5,015	97	5,109	4,277
Europe	19	221	3,404	48	95	1,009
Middle East	13	60	294	20	—	160
Calcutta	56	311	1,052	90	—	377
Rangoon	50	90	61	42	—	909
Singapore	179	1,192	2,631	141	1,314	7,468
Bangkok	366	235	793	389	224	5,344
French-Indochina	477	307	1,418	341	213	451
Macao	32	—	—	38	—	103
Philippines	769	309	3,017	690	666	4,464
Japan	219	427	8,461	267	824	3,837
U.S.A.	28	—	8,266	168	1,087	2,660
Australia	23	39	1,070	30	73	80
China	278	941	157	468	631	2,7946
Honolulu	10	—	120	46	50	111
Canada	5	97	183	59	380	673
Total	2,604	9,761	35,942	2,934	10,666	59,869

No. of arriving Aircraft: 197

No. of departing Aircraft: 203

Hongkong Imports & Exports of Selected Commodities

FOR THE MONTH OF JANUARY, 1950

WOLFRAM ORE

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	489	125,190
Belgium	—	—	420	113,500
Korea, South	336	80,000	—	—
Macao	24	5,280	—	—
TOTAL	360	85,280	909	238,690

ANTIMONY

Thailand	—	—	5	1,080
U. S. A.	—	—	554	90,033
TOTAL	—	—	559	91,113

TIN INGOTS of Chinese origin

China, Middle	—	—	113	60,048
China, South	2,028	1,016,530	—	—
U. S. A.	—	—	2,409	1,217,468
TOTAL	2,028	1,016,530	2,522	1,277,516

TIN INGOTS not elsewhere stated

United Kingdom ...	7	5,688	—	—
Malaya	1,056	585,516	—	—
TOTAL	1,063	591,204	—	—

TINNED PLATES

United Kingdom ...	10,019	551,241	—	—
China, North	—	—	10,056	572,313
China, Middle	—	—	2,999	164,335
China, South	—	—	334	32,376
Macao	—	—	392	29,912
Thailand	—	—	13	1,480
U. S. A.	34,285	1,620,053	—	—
TOTAL	44,304	2,171,294	13,794	800,416

SOYA BEAN OIL

China, North	1,171	117,120	—	—
China, Middle	—	—	76	9,000
Korea, South	30	3,750	—	—
TOTAL	1,201	120,870	76	9,000

TEA SEED OIL

United Kingdom ...	—	—	3,336	596,300
China, South	3,280	431,322	—	—
Macao	156	29,117	—	—
TOTAL	3,436	460,439	3,336	596,300

ANISEED OIL

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	3	3,307
Fr. Indochina	15	15,000	—	—
Holland	—	—	32	31,500
Macao	22	20,100	—	—
U. S. A.	—	—	80	73,159
TOTAL	37	35,100	115	107,966

CASSIA OIL

United Kingdom ...	—	—	16	25,987
Macao	67	105,440	—	—
U. S. A.	—	—	174	276,570
TOTAL	67	105,440	190	302,557

COCONUT-NUT (copra) OIL, refined

Malaya	1,372	170,157	—	—
North Borneo	12	1,178	—	—
China, North	—	—	375	40,200
China, Middle	—	—	1,005	105,658
China, South	—	—	170	15,855
Macao	—	—	30	3,300
Thailand	118	12,980	—	—
Korea, North	—	—	825	78,965
TOTAL	1,502	184,315	2,405	243,978

LINSEED OIL

India	686	105,335	—	—
China, Middle	—	—	50	7,098
Macao	—	—	6	960
Thailand	16	2,444	—	—
U. S. A.	37	5,989	—	—
TOTAL	739	113,768	96	8,058

GROUNDNUT (peanut) OIL

India	3,695	494,491	—	—
Br. Commonwealth, Other	—	—	16	2,901
China, North	1,568	210,470	—	—
China, Middle	1,116	160,541	6,486	830,731
China, South	15	1,536	585	104,700
Macao	508	73,190	432	67,056
Thailand	6,445	909,939	—	—
U. S. A.	504	57,642	—	—
TOTAL	13,851	1,907,809	7,519	1,005,388

SESAMUM OIL

Australia	—	—	5	704
Canada	—	—	33	7,448
India	—	—	1	300
Malaya	—	—	66	12,706
North Borneo	—	—	3	425
Br. Commonwealth, Other	—	—	2	234
China, North	13	1,875	—	—
Japan	—	—	2	450
Macao	—	—	179	19,755
U. S. A.	—	—	28	6,920
TOTAL	13	1,875	319	48,942

WOOD OIL (in drums)

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
Australia	—	—	655	137,878
Malaya	—	—	48	11,370
North Borneo	—	—	15	3,126
China, North	420	58,800	1	110
" Middle	15	3,000	—	—
" South	2,283	434,475	—	—
France	—	—	336	59,200
Holland	—	—	1,092	234,496
Italy	—	—	834	178,164
Macao	378	72,735	—	—
TOTAL	3,096	569,010	2,981	624,344

BRISTLES

Countries	Imports		Exports	
	Quantity	Value	Quantity	Value
	Piculs	\$	Piculs	\$
United Kingdom ...	—	—	417	523,731
Malaya	—	—	50	60,800
China, North	1,008	5,680,000	—	—
" Middle	—	—	1	1,500
" South	40	63,900	—	—
Holland	—	—	45	206,760
Korea, South	30	9,700	—	—
Macao	2	3,000	10	480
Sweden	—	—	35	136,224
U. S. A.	—	—	3,745	12,721,702
TOTAL	1,080	5,756,600	4,303	13,651,197

WOOD OIL (in bulk)

U. S. A.	—	—	1,575	304,500
TOTAL	—	—	1,575	304,500

OTHER OILS from SEEDS, NUTS and KERNELS

China, Middle	—	—	16	3,066
" South	—	—	3	360
Macao	1	150	1	60
Thailand	398	46,120	—	—
U. S. A.	56	10,377	—	—
TOTAL	455	56,647	20	3,486

RUBBER, RAW

Malaya	7,596	1,097,236	3,467	346,502
North Borneo	134	9,500	—	—
Br. Commonwealth, Other	588	72,470	—	—
China, North	—	—	11,554	1,033,933
" Middle	—	—	57	17,106
" South	188	15,364	6,468	684,315
Korea, South	—	—	1,657	153,424
Macao	—	—	379	49,758
U.S. of Indonesia ..	4,855	426,650	—	—
Korea, North	—	—	1,008	72,000
TOTAL	13,361	1,621,220	24,590	2,357,038

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